



The National Insurance Buyer

CORPORATE INSURANCE MANAGEMENT

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AMERICAN SOCIETY OF INSURANCE MANAGEMENT, INC.

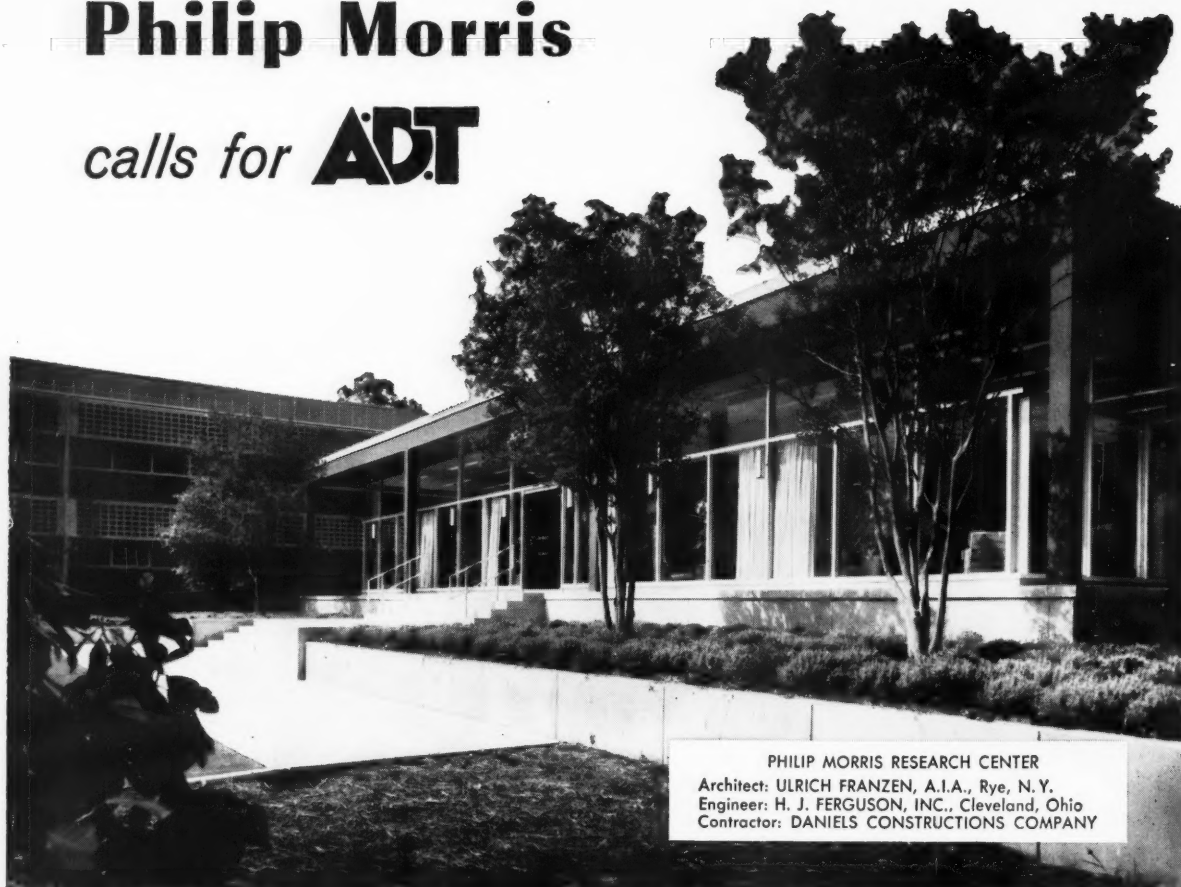
Volume 7

September 1960

Number 5

Philip Morris

calls for **ADT**



PHILIP MORRIS RESEARCH CENTER

Architect: ULRICH FRANZEN, A.I.A., Rye, N.Y.

Engineer: H. J. FERGUSON, INC., Cleveland, Ohio

Contractor: DANIELS CONSTRUCTIONS COMPANY

Yes, to safeguard its new research center at Richmond, Va., Philip Morris Inc. *did* call for the services of American District Telegraph Company.

ADT Protection has proved its value to Philip Morris at more than a score of their properties from coast to coast.

The new scientific facilities at Richmond comprise a multimillion-dollar investment. ADT was chosen to assure the continuity of operations as well as to provide security and protection.

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sprinkler supervisory and waterflow alarm service and Watchman's Reporting Service. This entire protection system is under constant electrical supervision by the ADT central station in Richmond.

ADT is proud to have been selected to protect these impressive Philip Morris buildings. We are also proud of our part in protecting the lives, property and profits of 70,000 other subscribers throughout the country.

Perhaps ADT can provide greater security for your property—with substantial savings. Why not call the ADT representative listed in your telephone book and find out?

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A NATIONWIDE ORGANIZATION

EXECUTIVE OFFICE: 155 SIXTH AVENUE, NEW YORK 13, N.Y.

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Linda Burke, Editor

Eight West Fortieth Street, New York 18, N. Y.

We Honor . . .

The American Society of Insurance Management, Inc. on its tenth anniversary.

"Every man owes some part of his time
to the building up of the industry or pro-
fession of which he is a part."

Theodore Roosevelt

About the cover . . .

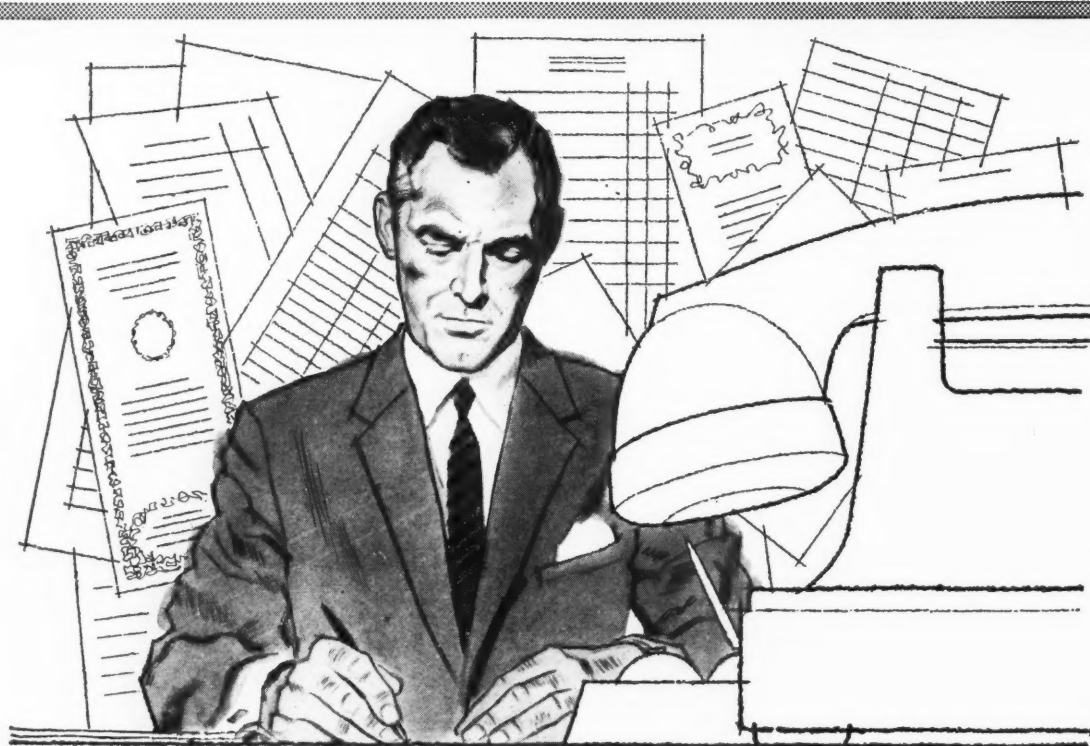
The Official Seal of The American Society of Insurance Management, Inc.

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The National Insurance Buyer, a publication of the American Society of Insurance Management, Inc., does not assume responsibility for the points of view or opinions of its contributors. It does accept responsibility for giving them an opportunity to express such views and opinions in its columns.

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He Won't Give You "Automatic" Answers

New electronic devices can perform operations as complicated as predicting election results, yet they could never perform the job of the man above.

He's a Johnson & Higgins account executive, and he helps solve the insurance problems of commercial and industrial organizations. To this complex and variable task, he brings his own seasoned judgment—and that of several hundred other J&H specialists trained in every facet of the insurance business. He is also a craftsman, who welcomes the challenge of designing original insurance contracts to meet unique requirements.

Whether your organization is large or small, you can draw on all the resources of J&H to help you secure economical corporate insurance cut to your corporate needs. Year after year J&H service, backed by complete insurance brokerage facilities, has proved an asset to business firms throughout the world.

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We Salute...

The Incorporating Directors of ASIM

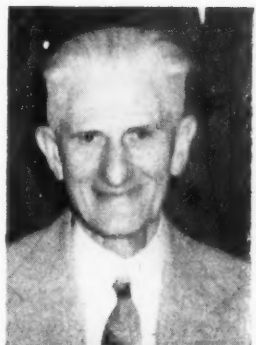
Incorporated in November 1950 as The National Insurance Buyers Association, Inc., (its name changed subsequently to The American Society of Insurance Management, Inc.), it is fitting to commend those who assisted in the progress of this organization in ten years.

The National Insurance Buyer congratulates ALL those who had a part in founding and building this association.

Incorporating Directors



KENNETH A. BONG
now of Bong & McCarthy, California,
formerly of International Milling Com-
pany, Minneapolis, Minnesota



HARRY E. GOODELL (retired)
formerly of Western Electric Company
New York, N. Y.

RAY E. BASS (Deceased)
formerly of A. E. Staley Manufacturing
Company, Decatur, Illinois



JOHN F. BURKE (retired)
formerly of Coast Service Company,
San Francisco, California



GEORGE E. ROGERS
Continental Can Company, Robert Gair
Division, New York, N. Y.



Fifth Annual Risk Management Institute

Is Sponsored By

ASIM and The University of Connecticut

The Fifth Annual Risk Management Institute, sponsored by The American Society of Insurance Management, Inc. and The School of Business Administration of the University of Connecticut (Laurence J. Ackerman, Dean) was held on September 14th, 15th, and 16th, 1960, at Hartford, Connecticut.

Program

September 14th: Analysis of Risk

Self Insurance—Ernest S. Oberdorf, President
Robert P. Coleman, Inc.
New York, N. Y.

Non-Insurance—George E. Rogers
Continental Can Company
New York, N. Y.

Insurance With Deductibles—
Harold S. Frederick, V.P.
Stewart, Smith (Illinois), Inc.
Chicago, Illinois

Business Interruption Problems—
Donald M. MacLeod, V.P.
Marsh & McLennan, Inc.
New York, N. Y.

September 15th: Problems in Liability Insurance

Products—Herbert P. Schoen,
Assistant General Counsel
Hartford Accident and Indemnity
Company
Hartford, Conn.

Nuclear—Richard H. Butler, Secretary
The Travelers Insurance Company
Hartford, Conn.

Current Research in Loss Prevention—
Research Laboratory
Liberty Mutual Insurance Co.
Hopkinton, Mass.

September 16th: Commercial Multiple Peril Coverages

Robert K. Parker, Account Executive,
Johnson & Higgins,
Inc., New York, N. Y.

Comprehensive Group Medical Coverage

Gordon Farquhar, Secretary—
Group Division
Aetna Life Insurance Company
Hartford, Conn.

Demonstration of Use of Fire-Treated Wood
Wood Preserving Division
Koppers Company, Inc.
Pittsburgh, Pa.

Optional Tour of Connecticut General Building

Committees for Risk Management Institute

Committee on Institute (ASIM)

C. Henry Austin, Chairman
Charles H. Thiele, Chairman
—Subcommittee on Seminars

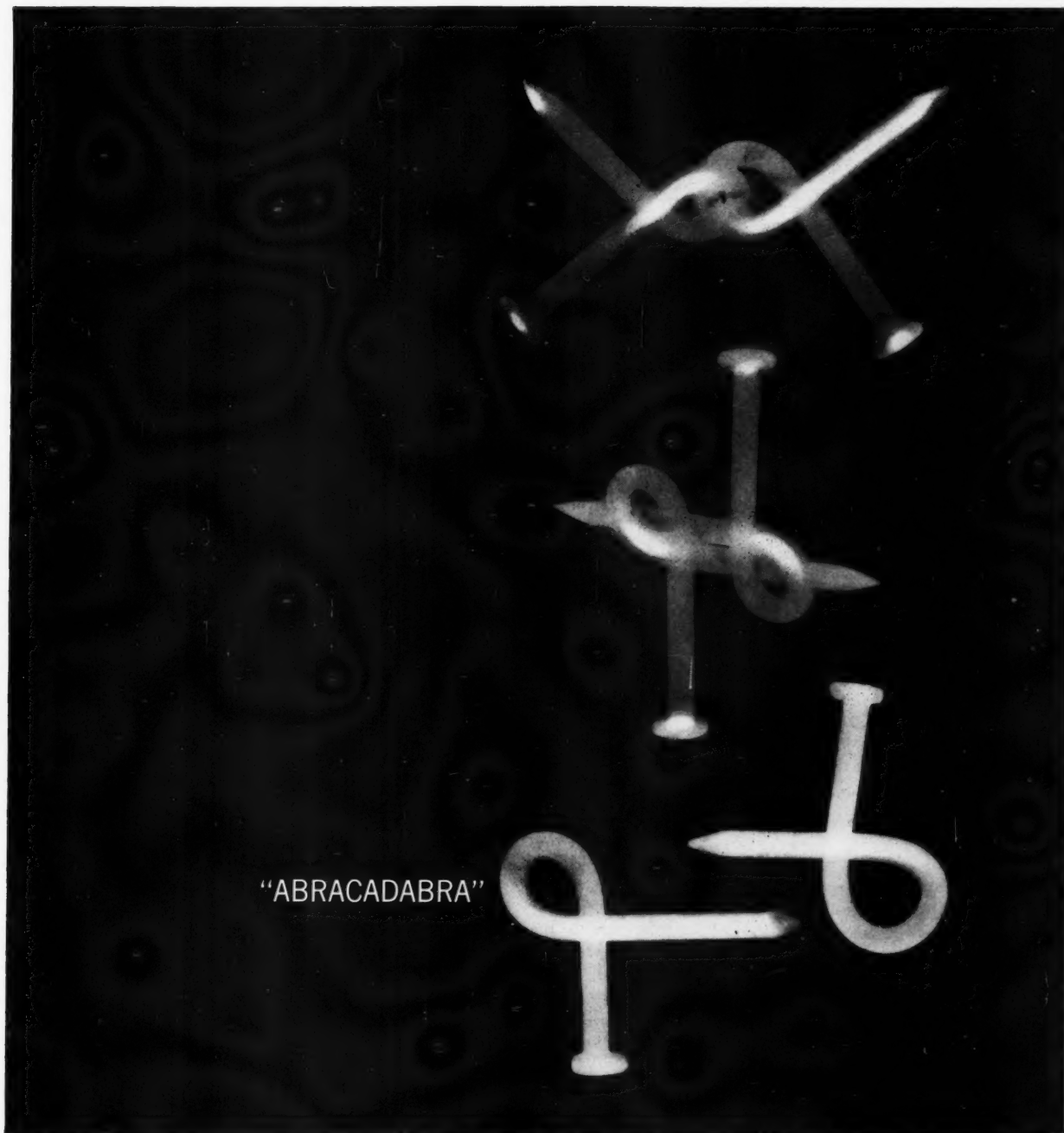
Committee on Fifth Risk Management Institute

B. E. Kelley Chairman, New York Chapter
Darrell Ames, Connecticut Valley Chapter
David Ivry, University of Connecticut
Scott McAlister, University of Connecticut

Committee on Reservations and Arrangements

Annetta Merlino, Chairman,
Connecticut Valley Chapter

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The Role of EDUCATION

in

RISK MANAGEMENT



Dr. H. Wayne Snider

The American Society of Insurance Management, Inc. has a permanent Education Committee, presently headed by C. Henry Austin, Manager of Insurance for Standard Oil Company (Indiana). (See *National Insurance Buyer*, May—1960).

The College Curriculum Sub-Committee has Lon Varnadore of Weyerhaeuser Company as its Chairman; The Professional Designation Sub-Committee has Frank W. Pennartz of Food Fair Stores as its Chairman; and the Seminar Sub-Committee has Charles H. Thiele of Federated Department Stores as its Chairman.

The American Society of Insurance Management, Inc. recognizes the importance of advanced education and training and welcomes the discussion of *Education and Risk Management* by Dr. H. Wayne Snider, Professor of Insurance at the Wharton School of Finance and Commerce of the University of Pennsylvania.

Currently developments are occurring in the field of education which will have a significant impact on risk management. For all of those persons interested in this area it seems desirable and even necessary that these developments be understood and their implications recognized.

In recent years there has been a renewal of interest in the United States in our formal education system. The reasons for this interest are many and varied. In part it may be explained by the post-war baby boom which has necessitated substantial school construction and led to a significant teacher shortage. This in turn has led to the appearance of increased taxes and school bonds as issues in many local elections. In part it may be explained by the increasing proportion of youth who are in school; in 1900 only 3 percent of youths age 15-17 were in school, whereas today 81 percent of this group are in school. In part it may be explained by the GI Bill of Rights which gave many persons the opportunity of attending college who otherwise would not have gone. In part it may be explained by the scientific advances of

¹Such a critical attitude is not unique to our time. Over a hundred years ago, for example, a New England school committee reported: "Our Schools are in a feeble and backward state. We think the modern mode of instruction is decidedly bad."

by

H. Wayne Snider

Professor of Insurance

Wharton School of Finance and Commerce

University of Pennsylvania

the USSR which shocked Americans used to thinking that scientific development was reserved for the United States.

This renewal has manifested itself in a critical reevaluation of our educational system at all levels.¹ Dissatisfaction with primary education has been crystalized by the appearance of such books as *Why Johnny Can't Read*. This book was long on the best seller list in spite of the fact that it did not discuss sex. (Notice what was done with the primary educational system in *Auntie Mame*.) Dr. Conant, former president of Harvard has published critical studies of both our junior and senior high school systems. Special programs are regularly being developed, usually with substantial publicity, to aid the "gifted" student. Admiral Rickover, the man given credit for the development of the atomic submarine, is today better known in many circles as an educational critic than as an engineer or a professional militarist.

This wave of critical evaluation has not been limited to the lower levels of formal education; it has been applied at the collegiate level as well. Similar studies have been undertaken and similar critical re-

(More on page 28)



WIDE AWAKE

to every requirement for your complete insurance protection

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AUTO RENTAL COMPANY INSURANCE

How Adequate Is It??

by
Donald W. Henning
Insurance Manager
Permanente Cement Company
Oakland, California



DONALD W. HENNING

Donald W. Henning is the Insurance Manager for Permanente Cement Company and Kaiser Gypsum Company, Inc., Oakland, California.

Mr. Henning attended the University of California at Berkeley, and received a B.B.A., with honors, from Golden Gate College, San Francisco, California, with a major in insurance. He received the CPCU designation in 1955.

There is a growing popularity today in the use of rented automobiles for a short period of time while traveling on business or in connection with vacation periods for individuals and their families. An employee, traveling in the business of his employer, is more and more relying on short term car rentals for surface transportation outside of his normal business area. The family plan for airlines encourages the use of auto rentals when arriving at a vacation spot. Naturally, the question of insurance plays an important part in this automobile rental field. It is a large item of cost to the auto rental agency; the accident experience, and premium and loss ratios of these individual insurance accounts, has caused a great deal of concern in the insurance field.

When an employee or an individual applies for the rental of an automobile, the natural inclination is to assume that adequate insurance is provided by the auto rental agency. The question that concerns us as insurance men is, "What kind of insurance does the auto rental agency provide?" Insurance Company claims supervisors, adjusters and underwriters wonder what kind of an animal they have by the tail when one of their insureds has an accident while driving a "U-Drive" auto or truck. The Corporate Insurance Manager wants to know if it is true that the retrospective Liability policy of his Corporation could be called upon to participate in a large judgment, when he was under the impression that the Auto Rental Company was providing the Liability insurance. The individual who does not own an automobile wants to know if it is true that he really has jeopardized his home and future income when he thought he was adequately protected by the Auto Rental Company's Liability policy.

In the advertising material put

out by the agencies you see reference to the new cars, prompt service, low cost and *adequate* insurance provided by the agency. But let's take a closer look at the rental agreement which is signed when you rent an automobile for a short period of time.

It would seem that there are as many forms of rental agreements as there are rental agencies. Each agency seems to develop its own special terms, and these terms have varied from state to state with some rental companies. One rental agreement says "Rentee being one of the assured under the insurance policy covering said vehicle agrees to comply with all the terms and conditions of said policy, which by reference thereto are incorporated herein and made a part thereof." Another rental agreement indicates that the renter of the automobile participates in the benefits of an automobile Public Liability and Property Damage policy. Another indicates the rental company will provide, without charge, Public Liability and Property Damage insurance, and even indicates the limits of insurance at \$50,000. for any one person, and \$100,000. for any one accident, and \$5,000. Property Damage. This sounds like an adequate insurance program that provides sufficient limits of liability for the normal operator of such a rental vehicle. A more detailed examination of the situation indicates, however, this Liability insurance has a value far lower than one might first think.

It is quite common to find in rental agreements a clause similar to the following: "If the Lessee has other insurance for Public Liability and Property Damage, the insurance provided by the Lessor under this contract shall be excess over any such insurance available to the

(More on page 34)

THE EYE
HAS IT



Handsome addition to John Hay Whitney's communications interests, the new building of KHOU-TV in Houston is, like all Whitney enterprises, planned to the last detail.

One of five TV and two radio stations of Corinthian Broadcasting, a subsidiary of Whitney Communications Corporation, this CBS affiliate carefully tailors its programming to the viewing habits of over 450,000 Texas families.

And Corinthian's insurance program is equally well tailored...made to measure by INA, the pioneer in a specific program

of insurance protection for broadcasters.

Behind INA broadcaster's insurance lies one solid year of research. A year of surveying station owners, operators, builders, and equipment manufacturers. A year of studying weather data and safety standards.

Few years were ever better spent. For the resulting INA coverage is probably the most accurate, comprehensive, and simply worded ever designed for one industry.

If you want protection that really fits *your* business, check into Insurance by North America. See your broker or any INA agent.

INSURANCE BY NORTH AMERICA



Insurance Company of North America • Indemnity Insurance Company of North America • Life Insurance Company of North America • World Headquarters: Philadelphia

Earthquake Insurance . . . in the United States



Philip G. Buffinton

by
Philip G. Buffinton, Manager
Factory Mutual Rating Bureau
Providence, Rhode Island

*(Paper presented at the Second World Conference on
Earthquake Engineering, Tokyo, Japan — July 1960)*

In considering earthquake insurance in the United States, it should be recognized that the insurance underwriter, the seismologist, and the engineer all have similar objectives—that of understanding more about earthquakes.

Although much has been learned by the seismologist in the last 50 years, only part of this knowledge is of use to the insurance underwriter and for this reason earthquake insurance rating as a science is much in need of further study and comprehension.

The problem of most insurance underwriters is that they do not possess sufficient knowledge to understand many of the technical aspects of seismology. On the other hand, the seismologist may not readily appreciate some of the problems of the underwriter. It is up to the insurance industry to solve the problem of the buyer's attitude and to further investigate the credibility of statistics. The seismologist, however, can be of great assistance to the insurance underwriter and the buying public by providing better information, particularly with regard to the relationship of earthquake frequency and intensity.

In general there are six factors which are considered in making fire and other property insurance rates:

Construction

Protection—both public and private

Occupancy

Exposure

Element of time—frequency of loss occurrence

Credibility of available statistics

Construction

The factors which must be considered in establishing earthquake rates are directly related to these factors, although they are often described in different terms:

Construction has long been recognized as of major importance in determining earthquake rates and is sometimes referred to as the damageability factor or the relative resistance of various types of buildings to earthquake shock. Most earthquake rating schedules recognize 8 classes of construction ranging from the structural steel frame building which has been designed to resist earthquake shock to the poorer type of building constructed of tile, concrete block or adobe bearing walls. Bridges, reservoirs, dams, and brick stacks, as well as glass greenhouses and wood tanks on wood towers, also fall into the higher rated classification.

Other important factors which have been recognized include the natural period of vibration of the structure, its height, the type of ground upon which

(More on page 38)



Wherever power lives...

it takes specialists to keep it alive!

... Specialists with the technical knowledge and practical know-how so necessary to the exacting business of safeguarding power equipment. Hartford Steam Boiler's nationwide organization includes more than 600 qualified and experienced field inspectors, with engineers, special agents, underwriters, claims people—all prepared to help you protect your plant against loss by accident to your boilers, pressure vessels, turbines, engines, electrical and refrigerating equipment. When your boiler and machinery insurance is with Hartford Steam Boiler you can be sure you have the best.

Since 1866, the insuring and safeguarding of power equipment has been our only business.

The Hartford Steam Boiler
Inspection and Insurance
Company



*Remember,
INSPECTION
is our middle name.*

Hartford 2, Connecticut

The DEVELOPMENT of a Sound Insurance Programme

by
William T. Brightman, Jr.
President
Blackstone Mutual Insurance Company, Inc.
Providence, R. I.

(Address Before The Canadian Manufacturers Association—June 1960)

It seems to me important that we examine first the *need* which precedes the development of a sound insurance programme. To analyze the need requires that we recognize that any business enterprise must assume risks for the purpose of accomplishing gains. The Corporate Risk Manager therefore has a function to perform related directly to the purpose for which his company exists. Dependent upon his skill in evaluating, controlling or reducing the insurable element in the assumption of risks, he will add to both the extent and the certainty of the gain which is the purpose of the business.



William T. Brightman, Jr.

What then is the essential procedure leading up to the point where a decision to insure can be made objectively and intelligently as to the kind and source of the insurance to be purchased? For the purpose of this discussion, I shall assume that Corporate Management has freedom of action to establish the programme in the interest of the stockholders and is not captive to any authority, internal or external, which says that insurance must be placed in a given manner or through a given source.

If my comments and questions so far have suggested that the establishment of a sound insurance programme involves much more than the purchase of good insurance policies from strong companies, the suggestion is not unintentional. In fact, the point was recognized by the organizers of my company back in

1868 when they wrote into our original By-Laws "the objects of this company are first the prevention of fire loss by the study and elimination of its causes . . ." Only a slight change in the language has been needed to modernize it and to include the prevention of "fire and other losses." Out of respect to our By-Laws we who have management responsibility in my company must adhere to the principle that it is even more important to Prevent Losses than it is to Distribute Losses in a manner which will prove profitable to the distributor.

In interjecting the subject of Loss Prevention and giving it high priority, you may consider me guilty of departure from the subject of this discussion which is the Insurance Programme. In a narrow sense, I may have done so. But again I would emphasize that the develop-

ment of a sound insurance programme presupposes that manufacturers incur risks, both uninsurable and insurable, and that risk management and control may well assume an importance which transcends that of the somewhat simpler, though still complicated, function of insurance purchasing.

I would like to submit for your consideration a formula which I have called the REPEAT, that is, R-E-P-E-A-T, formula as the safest avenue to the end result, a sound insurance programme. I use the designation REPEAT as a reminder that the formula, if you find it valid, should not be applied initially and then filed away. Just as the operations of your company and the plant which houses them are subject to constant change, so too must you reappraise the bases for past decisions concerning your insurance programme. In logical succession, the elements in this formula are these:

RECOGNITION of hazards.

ELIMINATION of hazards.

PROTECTION of hazards.

EVALUATION of exposures.

ASSUMPTION of risks.

TRANSFER of risks.

(More on page 22)

"This advertisement is typical of the advertising program carried on by the Atlantic Companies in the nation's press and insurance periodicals over the past 22 years in support of the independent insurance producer."

Why *an* **INDEPENDENT** *insurance man can serve you best*

In insurance, as in many other fields, there is no monopoly on good ideas, good service, or good rates. One company may have developed a better policy for the homeowner in some areas. Another company may boast lower rates on certain forms of insurance. Still a third may be especially noted for prompt service.

Which of these companies should you insure with? If you ask a company representative, he will usually try to persuade you that *his* company—and *only* his company—is best for you.

That in fact is a good reason for buying insurance only through an independent insurance agent or broker . . .

- ✓ *Because he represents not one but several insurance companies, he can be impartial in picking the best company for your individual needs.*
- ✓ *Because he's a professional insurance man, not just a salesman, he keeps up with new types of insurance coverage and makes certain your insurance is up to date.*
- ✓ *Because he is independent, you can count on him to assist you with your claim when you suffer a loss and to represent your interests to the fullest at all times.*

Our advice: To be certain about your insurance protection and service, see a competent, *independent* agent or broker.

Business Established 1842

THE ATLANTIC COMPANIES

ATLANTIC MUTUAL • CENTENNIAL

Home Office: 45 WALL STREET, NEW YORK 5

28 Offices in Cities from Coast to Coast

Multiple Line Companies Writing Marine, Fire and Casualty Insurance

Montreal Chapter, ASIM Announces Program for 1960-1961

With Leonard Moore, Imperial Tobacco Company of Canada, Ltd., Montreal, as Program Chairman, Montreal Chapter, ASIM has announced an important and interesting program for 1960-1961.

1960

September 15th—EARTHQUAKE

Did you know that Montreal is considered to be in a major disaster area?

Through the co-operation of Dr. J. E. Gill, Chairman of Geological Sciences at McGill, a geologist will cover this subject which has been very much in the news lately.

Then Mr. W. Holden, Phoenix Insurance Company of Hartford, will discuss coverage, rates, markets, losses.

October 20th—CRIME

Have you outmoded coverage, e.g. scheduled safe policies?

Are there loopholes in your policy?

Are securities "safe" in safe depositories—recall the Caisse National de Fiducie loss?

Mr. G. McQueen, Richards Melling & Co. Ltd., will present this paper.

November 17th—OWNERS/CONTRACTORS—Insurance

Who should carry fire, liability, etc. insurance—why?

Mr. S. F. Ritchie, Johnson & Higgins (Canada) Ltd., will give us the benefit of his views on this topic.

December 15th—

This meeting will be in the nature of a general discussion forum.

1961

January 19th—MARINE INSURANCE

This, the oldest form of insurance, is a language unto itself.

What coverage do you get?

What happens in the event of loss?

Are you properly and adequately insured?

Mr. K. Dean, Reed, Shaw & McNaught, will cover this interesting subject.

February 16th—

Mr. D. Barlow, Lawyer, Insurance Consultants and now Insurance Manager of Massey-Ferguson Ltd., will present an interesting paper on "Practical Points from an Insurance Manager's Experience."

March 16th—TITLE INSURANCE

Did you know that Title Insurance is purchased more freely than Fire Insurance in some of the States—that it is now available in 6 Provinces in Canada?

What is the situation in Quebec?

Representatives of the Lawyers' Title Insurance Corp. will cover this topic and will present a 20 minute film.

April 20th—SOME TAX ASPECTS OF INSURANCE

This is often overlooked—are you in tune with tax matters as applicable to insurance?

Mr. H. Moffat, Deloitte, Plender, Haskins & Sells, will address us on this subject.

May 18th—THE ANNUAL MEETING

After a very short business session followed by a general discussion period, a short film entitled "Chain Reaction" with Bob Hope as narrator will be shown.

Montreal Chapter, ASIM meets on the third Thursday of each month at the Mount Stephen Club at 12:00 sharp, with the exception of the March meeting which is held at the Queen's Hotel.

T. V. Murphy Honored By New Assignment in U.S. Chamber of Commerce

T. V. Murphy, first vice president of The American Society of Insurance Management, Inc. and Insurance Manager for Maryland Shipbuilding and Drydock Company, has been assigned to serve as a member of the Sub-committee on Workmen's Compensation and Safety for the Insurance Department, Chamber of Commerce of the United States.

According to A. K. Kirkpatrick, Manager of the Insurance Committee for the Chamber of Commerce of the United States, "the labor organizations are dedicated to pressing for Federal Government entry into the workmen's compensation field and are currently using the hazards of atomic radiation as an excuse for such entry. There is a very important job that needs to be done here and it will be the function of this subcommittee to guide the Chamber's program in this direction."

Bill Doyle, Vice President and Special Counsel for Liberty Mutual Insurance Company is chairman of the subcommittee.

Nathan H. Siegel Is President of Insurance Buyers Association of Detroit, ASIM

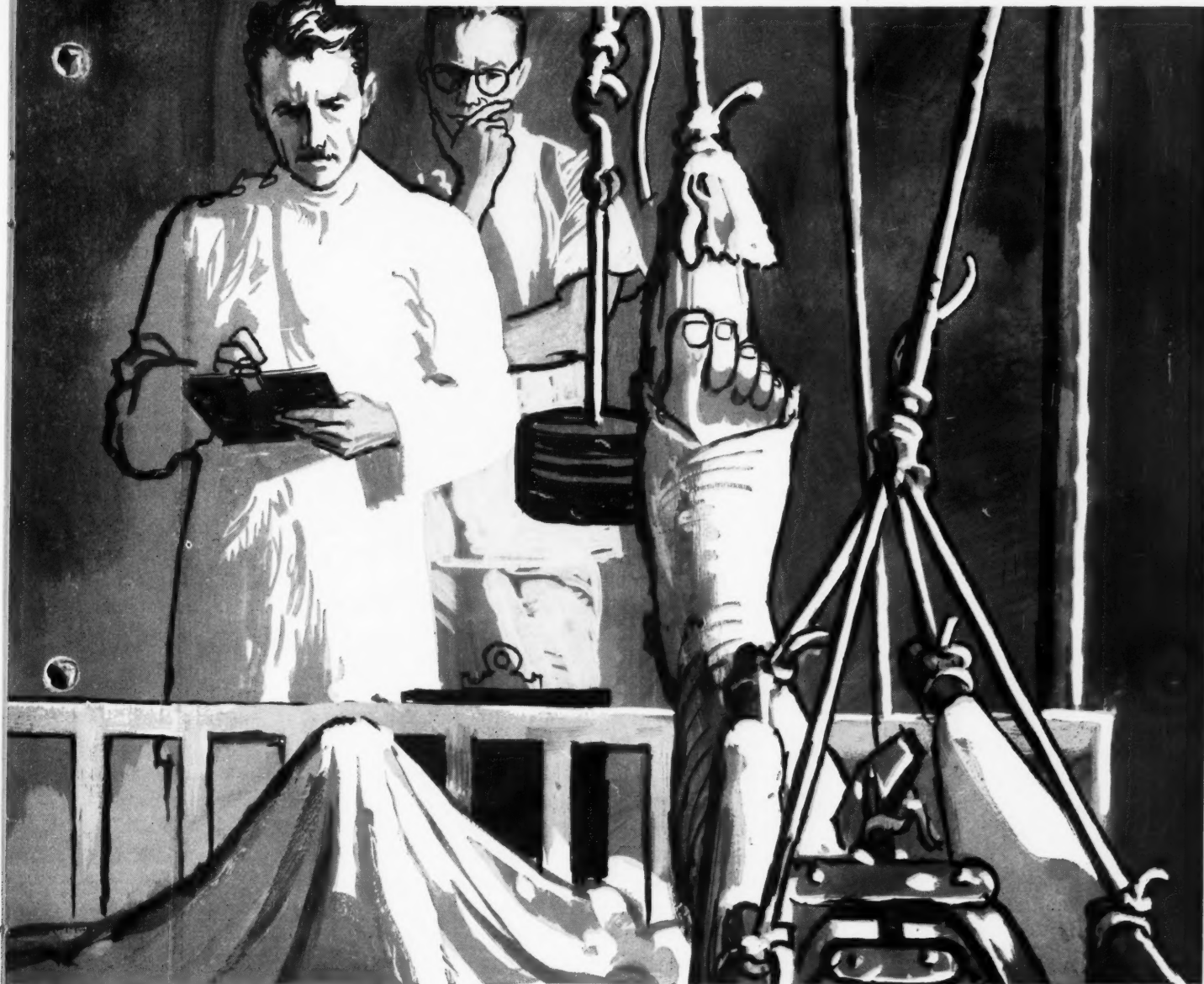
At a meeting of the Insurance Buyers Association of Detroit, ASIM, Nathan H. Siegel of Detroit Steel Corporation was elected president.

Other officers are: J. M. Cooper, American Motors Corporation, vice president; Earl M. McCarter, Burroughs Corporation, Treasurer; and R. Russell Cole, Ex-Cell-O Corporation, Secretary.

Directors-at-Large are: Milton W. Heyrock, National Bank of Detroit; Rex H. Buss, Kelsey Hayes Company; and William R. Kyle, Valeron Corporation.

Wesley A. Johnston, Chrysler Corporation, was elected to the ASIM Board of Directors, succeeding Robert M. Cone of General Motors Corporation.

How protection in depth helps cut compensation costs



Is clinical diagnosis available to your injured workers?

Leading orthopedic surgeons in 78 cities across the U. S. are available to Liberty Mutual for consultation. They review diagnoses of serious cases, check their progress and advise attending physicians. This medical advisory service helps speed the recovery and return to work of severely injured employees, helps lower workmen's compensation costs for Liberty policyholders. It is but one of the many Liberty Mutual services that add up to protection in depth. For more facts about Liberty's protection in depth and how it can help lower your business insurance costs, just get in touch with your nearest Liberty Mutual office.

Look for more from

LIBERTY MUTUAL

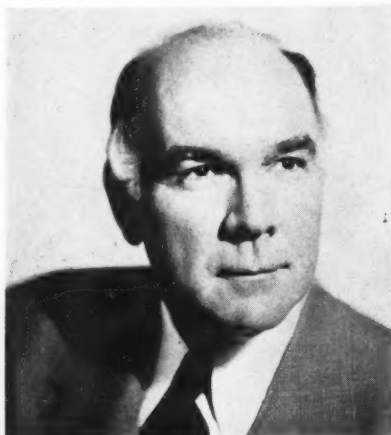
...the company that stands by you

LIBERTY MUTUAL INSURANCE COMPANY • LIBERTY MUTUAL FIRE INSURANCE COMPANY
HOME OFFICE: BOSTON

Business Insurance: Workmen's Compensation, Liability, Group Accident and Health, Fire, Fleet, Crime • Personal Insurance: Automobile, Fire, Inland Marine, Burglary, Homeowners

Kenneth McFarland to Speak at ASIM Annual Meeting

**"America's Number One Speaker" to Address
ASIM Meeting in Chicago on November 9th**



Kenneth McFarland

At the regular annual meeting of the American Society of Insurance Management, Inc. to be held at the Hotel Drake in Chicago, November 9th members and their guests are "in for a treat," as the guest speaker at the dinner meeting will be Dr. Kenneth McFarland, named "America's Number One Speaker" in a survey conducted by the U. S. Chamber of Commerce.

Dr. Kenneth McFarland, is a man of many accomplishments. His unusually wide variety of interests and a life-time of experience as teacher, businessman, farmer, stock-raiser, civic and church leader, industrial advisor and human relations counselor have furnished him with a wealth of material and background.

A school executive through 24 years in public education, Dr. McFarland has been described as "the teacher who made the whole contributions in vocational education were signally recognized when the McFarland Trade School which he designed and built in Coffeyville, Kansas, was named in his honor.

He is a member of numerous educational associations and committees and is Educational Consultant and Guest Lecturer for *General Motors* (through whose courtesy he appears).

Dr. McFarland has long been a student of salesmanship—both in business and in human relations—and considers speech as one of the best media for dispensing "organized and usable information" in these areas. He was named "America's Outstanding Salesman for 1957" at the International Convention of the National Sales Executives Clubs held in Los Angeles in June of that year.

Notice of Annual Membership Meeting of the

American Society of Insurance Management, Inc.

The annual membership meeting of the American Society of Insurance Management, Inc., commemorating the tenth anniversary of ASIM, will be held on November 9, 1960 at the Hotel Drake, Chicago, Illinois.

**Merritt C. Schwenk, Jr., Secretary
American Society of Insurance Management, Inc.
September 1, 1960**

The Saturday Evening
POST

behind
What's ~~in~~ a name?



In insurance it is largely the ability and integrity of the people who represent it, both the agent who makes it his business to know your particular needs and the company that designs its policies to suit those needs. For more than three quarters of a century, experienced insurance buyers have looked to CHUBB & SON for a quality service that meets both business and personal requirements.

CHUBB & SON INC.

INSURANCE UNDERWRITERS

90 John Street, New York 38, New York

Manager

FEDERAL INSURANCE COMPANY and associated companies

nodded before speaking. "Yes, we have." mander: you've pulled this through in

Dallas-Fort Worth Chapter ASIM Holds Third Annual Conference

On September 9th, 1960 Dallas-Fort Worth Chapter of the American Society of Insurance Management, Inc. held its third annual conference at the Hotel Adolphus in Dallas.

Especially noteworthy was the "Problem Clinic" covering all phases of corporate insurance management, conducted by members of ASIM — all experts in their field.

Program

Morning Session: Speaker, Mel Zemek, District Manager, Manufacturers Mutual Fire Insurance Company, St. Louis, Missouri, "After the Frustrating Fifties, What Next?"

Workmen's Compensation: Speaker, Joseph M. Shelton, Attorney with Lyne, Blanchette, Smith & Shelton, Dallas: "Are Rates Too High?" Speaker: Alden L. Lancaster, CPCU, Manager Agency Department, (Casu-

alty, Fidelity & Surety) — The Travelers Insurance Company, Dallas.

Afternoon Session: Speaker, John S. Peters, Superintendent of Bond Department, Hartford Accident & Indemnity Company, Dallas: "Crime Insurance". Speakers: Kenneth J. Tapley, Manager, Kenneth Murchison Company and Jack Hertz, Insurance Director, Southern Union Gas Company, Dallas: "Hold Harmless Agreements and Contractual Liability".

Problem Clinic

Ted Redington, Insurance Director, Dresser Industries, Inc.; Don Mackaman, Vice President, Campbell-Taggart Associated Bakeries; David Morris, Insurance Administrator, Chance Vought Aircraft Incorporated; and Annetta M. Johnson, Insurance Director, The Murray Company of Texas, Inc.

Julia Sullivan Is Elected President of Cleveland Chapter, ASIM

Julia Sullivan, Insurance Manager for The General Tire & Rubber Company of Akron, Ohio, has been elected president of Cleveland Chapter ASIM.

She is the third woman to have served as president of her respective chapter: Marion Bower was president of Maryland Chapter; and the late Mrs. Lulamae Clore was president of Cincinnati Chapter.

Serving with Miss Sullivan are: Steven R. Penton, Oglebay Norton Company, vice-president; and Clayton R. James, Addressograph-Mul-

tigraph Corporation, secretary-treasurer.

New directors of Cleveland Chapter are Mr. Steven R. Penton; Wil-
lard W. Thomas of Campus Sweater & Sportswear Company; and Homer C. Cogan, The Parker Hannifin Corporation.

Virginia-Carolina Chapter Elects New Officers

On June 10th at a meeting of the Virginia-Carolina Chapter, ASIM, held at Virginia Beach, Virginia, Gaither T. Newnam, Smith-Douglass Company, Inc. was elected president of the chapter.

Serving with Mr. Newnam are: John W. Fox, Duke Power Company, Charlotte, N. C., vice president; J. R. Thomas, Virginia Department of Highways, Richmond, Virginia, treasurer; and Stewart B. Foulke, Jr., Virginia Electric & Power Company, Richmond, Virginia, secretary.

On the Board of Directors are: John Fox, B. H. McGhee, Gaither T. Newnam, C. E. Mervine, Jr., William W. Coppedge, and Mrs. Lydia S. Hammond.

George J. Morrissey of Reynolds Metals Company succeeds Bernard M. Hulcher of Southern States Cooperative Inc. Inc. as ASIM Director, representing Virginia-Carolina Chapter.

Correction, Please!

On page 36 of the July 1960 issue of *The National Insurance Buyer*, in an article on "Travel Insurance" by Erwin C. Jones, the figure \$8300, appearing in columns one and two, should have been \$41,700.

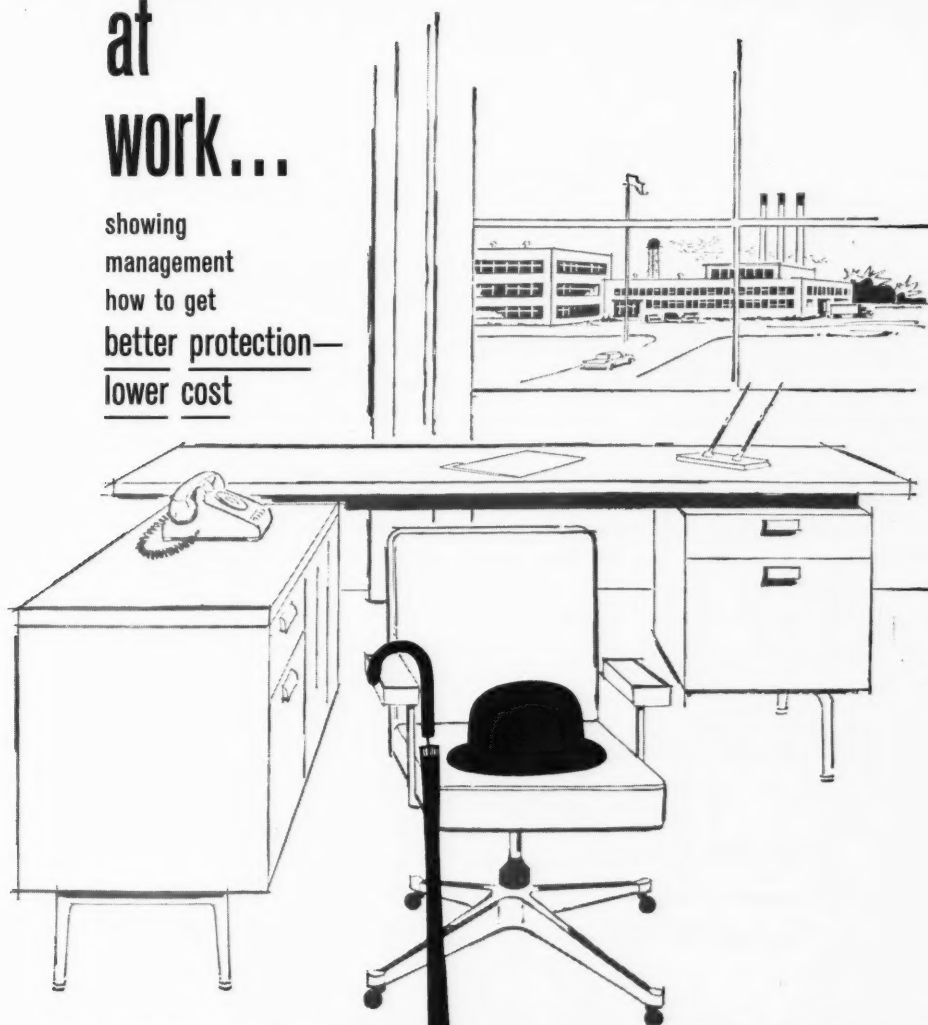
Notice Meeting of Board of Directors of the

American Society of Insurance Management, Inc.
The annual meeting of the Board of Directors of The American Society of Insurance Management, Inc. will be held on November 8th, 1960 at the Hotel Drake, Chicago, Illinois.

Merritt C. Schwenk, Jr., Secretary
American Society of Insurance Management, Inc.
September 1, 1960

Man at work...

showing
management
how to get
better protection—
lower cost



The **AM** man above is really many men . . . whose main job is to blueprint the most effective Workmen's Compensation program for you.

The **AM** Account Representative . . . aims insurance coverage directly at your individual needs.

The **AM** Safety Engineer . . . an expert in Loss Control. He suggests and advises ways of improving your safety record.

The **AM** Claim Representative . . . an expert in Workmen's Compensation claim handling. He makes available the best

medical service and helps to control disability and its resulting cost.

These are the men who, along with all the other service specialists of American Mutual, stand ready to serve you. Their special training could mean better protection, fewer accidents, lower overall insurance costs for you . . . just as it has to so many other American Mutual policyholders. (And remember—**AM** offers the additional savings opportunity of regular dividends. In 1959, policyholders received nearly \$9,300,000.) Why not look into it? Write American Mutual, Dept. NB-5, Wakefield, Massachusetts.

Our business is protecting your business . . . better!

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Mutual** 
LIABILITY INSURANCE COMPANY

"The First American Liability Insurance Company" . . . a leading writer of Workmen's Compensation, all forms of Liability, Crime, Automobile, Group Accident and Health Insurance

Third Annual Insurance Conference to be sponsored by Delaware Valley Chapter, ASIM

On Friday, October 21, 1960, Delaware Valley Chapter of the American Society of Insurance Management, Inc., will sponsor its third annual insurance conference at the Sheraton Hotel, Philadelphia.

Keynote speaker at the conference will be Dr. Millard F. Gladfelter, president of Temple University and prominent Delaware Valley educator.

Other speakers are well known in the insurance industry and their topics will cover many phases of the corporate insurance field, including employee benefits, use and occupancy, fidelity bonds and liability insurance.

Mr. T. E. Harvey, Jr. of The Fidelity Mutual Life Insurance Company is general conference chairman. Serving with Mr. Harvey are: F. Joseph Bonanomi, The Budd Company; John D. Laupheimer, General Public Warehouse Company; Ernest N. Gilbert, The Penn Mutual Life Insurance Company; Chester H. Drummond, Campbell Soup Company; David D. Day, American Viscose Corporation; Frank W. Pennartz, Food Fair Stores, Inc.; F. Walter Norcross, The Budd Company; and Howard C. Giles, E. I. Du Pont de Nemours and Company, Inc.

ASIM Welcomes New Members

Dallas-Fort Worth

Jake L. Hamon
Tom Thumb Stores, Inc.
Neiman-Marcus Company

Delaware Valley

Henry Bower Chemical Mfg. Co.

New York

Emerson Radio & Phonograph Corp.
Tidewater Oil Co. Inc.

Southern California

Barker Bros.
Blue Diamond Co.
(A Division of Flintkote Co.)
Metro-Goldwyn-Mayer Pictures

Toronto

Electric Reduction Co. of Canada Ltd.
Pitney-Bowes of Canada, Ltd.

Atlanta Chapter, ASIM Sponsored Insurance Seminar on September 12th and 13th

Atlanta Chapter of the American Society of Insurance Management, Inc. sponsored an Insurance Seminar on September 12th and 13th.

The Insurance Department of Georgia State College had the first morning of the program with a session on EDUCATION.

Mr. C. Henry Austin, Chairman of the Committee on Education for ASIM, Mr. T. V. Murphy, first Vice President of ASIM, and Mr. B. W. Rainwater past president of Atlanta Chapter and a former Regional Vice President of ASIM headed the afternoon session on RISK MANAGEMENT.

The session on September 13th, was presented by Mr. Richard W. Tierney, Regional Vice President of ASIM, who was host to the Brokers. They discussed insurance markets, trends, loss prevention, new coverages, etc.

With usual "southern hospitality," a fashion-show luncheon on September 12th and a sightseeing tour on September 13th was arranged for the wives of those who attended.

Kenneth R. Black, Jr., of Georgia State College, is president of Atlanta Chapter ASIM.

Southern California Chapter ASIM Honors President Clem

Mr. W. Howard Clem, President of the American Society of Insurance Management Inc., was honored by the Southern California Chapter on August 17 at the Mona Lisa Restaurant in Los Angeles.

Beginning with a reception at 6:00 P.M., the insurance managers of 62 member Southern California companies also welcomed California's Insurance Commissioner, Mr. F. B. McConnell, and other noteworthy guests, including Mr. Van Joy, President, Insurance Brokers Society of Southern California; Mr. Ira Brander, President, National Insurance Brokers Association; Mr. Fred Bogy, President, Insurance Association of Los Angeles; Mr. Mark Wells, Publisher, The Insurance Journal and Mr. Al Wood, Director, Western Insurance Information Service.



Mr. WILLIAM B. WEBBER

A Tektronix Vice President, says:

"We are happy we chose Employers Mutuals of Wausau as the carrier of our workmen's compensation. We find they have a friendly and effective way of working with us and our people.

"Other reasons too: Because Employers Mutuals is a national company we can simplify records by taking care of our country-wide field offices and our plant at one time.

"Then there is the matter of savings—the dividend we can expect through Employers Mutuals' help in promoting safe working practices.

"The picture lower right shows one way this works. At the left is George Babich, an Employers Mutuals' Safety Engineer. Part of his work with us is as advisor to our employee safety committees. Shown here on a safety inspection tour are E. E. Ashenbrenner, manager of our Fabrication and Moulding Division; Norm Olson, Chairman of this safety committee; and Lois Addington, head nurse.

"They're good people, these Employers Mutuals' representatives. Good people to know, good people to do business with."

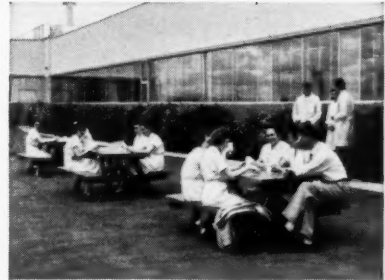
FOUND: "...AN INSURANCE COMPANY WITH OUR WAY OF WORKING"

Wausau Story

at **TEKTRONIX, Incorporated**
Portland, Oregon

THERE IS MUCH that is unique about Tektronix, Inc.—their products, plant, and philosophy.

The products developed and produced by this company are cathode-ray oscilloscopes. At the left, Mr. William B. Webber, a Tektronix Vice President, shows us some models of these electronic instruments. The Tektronix oscilloscope is recognized as a precision tool by scientists and engineers in such fields as atomic energy, medicine, radar and guided missiles. This tool provides "a picture of changing phenomena," accurately measuring voltage from hundreds of volts to less than a hundred thousandth of one volt and measuring time from minutes to a few billionths of a second.



The Tektronix plant is a group of attractive one and two story buildings, forming an industrial park in a pleasant Portland suburb. Each building is landscaped with flowering bushes and green lawns, an inviting place for outdoor lunches.

Tektronix people appreciate the philosophy that guides their way of working: "respect for the dignity of each individual." Here each person assumes responsibility, takes pride in a job well done. Typical is the work of Irene Sherrick in the Unit Wiring Department. Wiring and soldering a unit may take a few minutes or up to ten hours, depending on the complexity of the model. Today there are over 3000 employees.

★ ★ ★

Why does a company choose one insurance company over another? The reasons vary—even though all workmen's compensation policies are basically the same. The difference is in the interpretation. At Employers Mutuals we interpret policies not by the law alone but also by principles and beliefs on which our company was founded. That's the "Wausau way of working."

Employers Mutuals of Wausau has offices all across the country. We write all forms of fire, group and casualty insurance (including automobile). In the field of workmen's compensation we are one of the largest. We are proud of our reputation for fast claim service and our experience in preventing accidents. Consult your telephone directory for the nearest representative or write us in Wausau, Wisconsin.



Employers Mutuals of Wausau



"Good people to do business with"

Development — Brightman

(From page 12)

Recognition of Hazards

The initial step involves the Recognition of Hazards to Property and Profits and People which your operations may include. As we in the insurance industry well know, your operations may be as safe as the storage of pig iron under water or as hazardous as the manufacture of blasting caps. In most cases, the property hazards in your operations will be in between these extremes. It is very probable, however, that your industry will involve many common hazards and some special hazards. This being so, it is essential that your management recognize, understand and respect these hazards. It is equally essential that this understanding be communicated to the officer responsible for the development of your insurance programme. Without this understanding he must negotiate from a flimsy foundation, the weakness of which may well remain concealed until loss occurs which is inadequately or improperly insured.

Elimination of Hazards

The second step toward a sound insurance programme calls for the Elimination of Hazards. Now I've been too long in this business to believe that all hazards can be eliminated. Some of course are inherent

and unavoidable in your manufacturing operations. On the other hand, we encounter very frequently operations which are hazardous primarily because of habit, because "they have always been done that way." Why not scrutinize your own methods and practices? Perhaps there are hazards which could be eliminated in the interest of greater safety. This can have a most constructive influence on your insurance programme.

I would suggest that in this process of eliminating hazards as well as in the initial recognition of hazards you utilize freely the expert Loss Prevention engineering assistance which your insurance carrier should be able to provide. For instance, his advice may be helpful to you in answering such questions as these:

- A. Do you really need that temporary frame shed in the yard which was built during World War I and which serves as a catch-all and badly exposes your power transformers?
- B. How about substituting a non-flammable hydraulic fluid for the hazardous fluids used in your die-casting?
- C. Can you discontinue the use of gas or oil in special applications requiring heat and use electricity or steam as less hazardous substitutes?
- D. What about light weight non-combustible buildings instead

of wooden buildings to meet temporary requirements for storage or service purposes?

- E. Can you move that oil insulated transformer outside the main building, or if there is no suitable yard space available, can it be replaced with a dry type transformer, or one using a non-flammable liquid?

Obviously by recognizing hazards and eliminating them from your operations, you will reduce the probability of loss from physical hazards. Simultaneously, you will improve the quality of your plant in the eyes of your insurers and the climate in which rate-making is conducted.

Protection of Hazards

The third element in the formula, the Protection of Hazards follows quite naturally the first two, the Recognition of Hazards and the Elimination of Hazards which need not continue. As great as the opportunity may be to Eliminate Hazards, there remains of course a countless number of perils to Property and Personnel which are inherent in manufacturing and which must be protected. In our association with large industries, we think immediately of such items as these:

- A. Automatic sprinkler protection wherever important manufacturing or storage build-

(More on page 24)

R. C. RATHBONE & SON

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lines of insurance.

Although we sell only through agents and brokers, we will be glad to give you full information through our special field representatives. Write to:

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AMERICAN MOTORISTS INSURANCE COMPANY
AMERICAN MANUFACTURERS MUTUAL INSURANCE COMPANY**

DIVISIONS OF KEMPER INSURANCE

CHICAGO 40

Development -- Brightman

(From page 22)

- ings involve combustible construction or occupancy, or both.
- B. Suitable subdivision, horizontally and vertically, where values are large or hazards of high degree.
 - C. Isolation and specialized protection for operations which involve severe hazards.
 - D. Hydrants, large and small fire hose, extinguishers, alarm systems.
 - E. Explosion vents, combustion safeguards, magnetic separators, safety containers.
 - F. Gas masks, safety tools, guards for pinch points on machines.

But why go on? You who plan, construct and operate factories can readily catalog, as can we who insure them, a vast number of dependable devices and methods for protecting your plants and your people. The research to find better ways of protecting hazards goes on continuously, and must always do so. It is important to add to our knowledge of how fires start, and of how fires may be extinguished with minimum loss. Of even greater importance is improvement in our communications so that that knowledge is applied with greater effect.

While many of you, perhaps most, represent companies whose facilities are well protected against fire and other hazards, I am sure that were you to scrutinize the inspection reports received in my office in a single day, you would agree with me that much constructive work still remains to be done if we are to move closer to the goal of Immunity from Fire. If that is true in our field of preferred risk underwriting, how much greater the opportunity must be among risks of average quality.

Evaluation of Exposures

Having Recognized and Eliminated or Protected those Hazards which are subject to correction, we must face the fact that it is seldom possible, either economically or practically, to avoid every exposure to loss by fire, explosion and other

hazards if manufacturing operations are to be conducted on a profitable basis. This leads to the necessity of considering the fourth point, the Evaluation of the important loss exposures to your business. Here I think the approach of underwriters, such as the Factory Mutual Companies, may be of interest as it seems pertinent to the construction of a sound insurance programme.

There are two terms which we use in evaluating loss exposures which you might find worth trying but on a "do it yourself" basis in your own plants. First is NLE. This stands for "Normal Loss Expectancy." This is defined as the "dollar loss which would be expected with all available protection in service." Next is MFL, or "Maximum Foreseeable Loss." This is "the largest loss which may be expected to result from a single fire, or other peril at any given plant, taking into consideration the impairment of fire protection that may be visualized because of past experience."

Many of you may already possess good knowledge of the loss experience which might be expected on the basis of past performance when people and protective devices function efficiently. In most occupancies, these losses will not add up to an amount which is of major concern to you or your insurance carrier. On the other hand, how well have you considered what might happen in an emergency? What might the loss be if fire occurs while a sprinkler valve is closed—when snow or a freight train blocks access to your plant by the fire department—when a thoughtless workman by-passes the safeguards or fails to observe normal safe operating procedures?

Our statistics indicate that it is not *more* losses but rather *more* costly losses which have hurt our business in recent years and which of necessity have their impact on your insurance programme.

In estimating what might happen under adverse circumstances I urge you to think in terms of the whole loss which might be incurred. While sweeping fire, tornado or explosion may cause a major loss to brick and

(More on page 26)

Members of the Insurance Service Association banded together to serve your business insurance needs:

ALABAMA, Birmingham, Ford-Myatt & Ebaugh, Mobile, Thames & Batre

ARIZONA, Phoenix, Luhrs Insurance Agency

ARKANSAS, Little Rock, Rector, Means and Rowland

CALIFORNIA, Los Angeles, Kuhrts, Cox & Brander, San Francisco, Trans-Western Insurance Broker, Inc.

CANADA, Calgary, Mackid Agencies Ltd., Toronto, Tomenson, Saunders, Smith & Garfat Ltd., Vancouver, Durham & Bates Agencies Ltd., Winnipeg, Ryan Agency Limited

COLORADO, Denver, Van Schaack & Company

CUBA, Havana, G. F. Kohly, S. A.

FLORIDA, Jacksonville, Donald A. Bolton & Co., Miami, Coates & Dorsey, Inc.

GEORGIA, Atlanta, Dunlap & Co., Savannah, Palmer & Cay, Inc.

HAWAII, Honolulu, Home Insurance Company of Hawaii, Ltd.

IDAHO, Boise, Stein-McMurray Insurance

ILLINOIS, Chicago, Moore, Case, Lyman & Hubbard, Inc.

INDIANA, Indianapolis, Robert N. Bowen & Associates, Inc.

IOWA, Des Moines, La Mair-Mulock Company

KANSAS, Wichita, Dulaney, Johnston & Priest

KENTUCKY, Louisville, Nahm & Turner Insurance Agency, Inc.

LOUISIANA, New Orleans, Gillis, Hulse & Colcock, Inc.

MARYLAND, Baltimore, Riggs-Warfield-Roloson, Inc.

MASSACHUSETTS, Boston, Boit, Dalton & Church

MEXICO, Mexico City, Kennedy & Hijo, A. P.

MICHIGAN, Detroit, General Underwriters, Inc.

MINNESOTA, Minneapolis, Wirt, Wilson & Company

MISSISSIPPI, Jackson, Fox-Everett, Inc.

MISSOURI, St. Louis, Lawton-Byrne-Bruner Insurance Agency

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OKLAHOMA, Tulsa, DeSelms, Bogart & Hall

OREGON, Portland, Jewett, Barton, Leavy & Kern

PENNSYLVANIA, Philadelphia, Ostheimer-Walsh, Inc., Pittsburgh, Edwards, George & Co., Inc.

PUERTO RICO, San Juan, Compania Carrion, Inc.

RHODE ISLAND, Providence, Boit, Dalton & Church

SOUTH CAROLINA, Columbia, Boyle-Vaughan Agency

TEXAS, Houston, Langham, Langston, Burnett & Dyer

VIRGINIA, Richmond, The Davenport Insurance Corp.

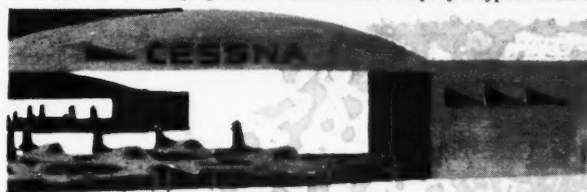
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Contact a member-firm near you soon. They will send you literature which fully outlines their service. Or, if you prefer, a principal will arrange to meet with you at your convenience.



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Development — Brightman

(From page 24)

mortar, the effect of such a catastrophe upon the future earnings of your business may be even greater. Will your customers stay with you during an extended shutdown? Will valuable sources of raw materials or parts be available when you are ready to resume production? What about the disruption of your organization, the effect upon your community, the setback to your personal hopes and aspirations which have been built around the continuous availability of your plant?

Even in a business where our failures, our "Livonias," rather than the losses which we prevent make the headlines, I dislike the role of the alarmist. Nevertheless I have seen too many false hopes built upon past performance and good luck to assume the role of "Pollyanna." Certainly in the planning of your insurance programme, you should be sure that you obtain thoroughly dependable and adequate insurance against any catastrophe loss which is conceivable. Even more important make your plans beforehand as to how emergencies will be met. Develop the organization which will not panic but which can be trusted to perform well when fire or other emergency strikes. Competent Loss Prevention engineers from your insurance carriers can help you greatly in this endeavor.

Careful evaluation of your exposures to loss and a militant determination to keep these exposures within reasonable bounds impress me as ingredients essential to the construction of a satisfactory permanent insurance programme.

Assumption of Risks

The next element for consideration is the Assumption of Risks. It is axiomatic to state that all business enterprise involves risks and that many of the risks in business or in manufacturing must be self-assumed, being inherent in the decision to start the business or to continue its operations. But we are con-

cerned with those risks which are insurable.

I do not consider that every peril for which insurance is available should be insured, nor that any peril should necessarily be insured for the first dollar loss. If there is logic in the retention or non-insurance of certain kinds of risks, there would appear to be equal logic in absorbing or self-assuming a specified portion of all losses.

Because it is in the field with which I am most familiar, I would like to discuss with you briefly the self-assumption of Property and Business Interruption risks. Our Factory Mutual rating schedule enables us to offer contracts with a Deductible from a low of \$50 to a high well up in the millions. The reduction in the deposit rate reflects the savings in losses which from past experience is to be expected for the Deductible selected. The credit applied varies with the size of the Deductible and with its relation to the amount of insurance applicable at the location. We do not reduce the expense portion of the rate required for our Inspection and Loss Prevention Engineering Services believing firmly that the risks insured under a Deductible plan require service of the same quality as those on a full recovery basis.

It seems to me that in the effort to build a sound insurance programme, management should decide quite deliberately and objectively the level at which insurance of losses should replace self-assumption of losses. I submit that this conclusion might well apply on an-across-the-board basis. For example, why absorb the total loss of a \$5,000 automobile but carry first dollar property or business interruption insurance on your plant?

The Factory Mutuals see nothing hostile to your interests or to ours in this principle of self-assumption

(More on page 40)



Let a Century Serve You

The practical timely balance between century-proven stability and young aggressive leadership . . . that is what you will discover at Fred. S. James & Co. And, you'll know the "whole team" here . . . fully equipped nationally, this is an organization with the finest quality analysis, marketing and hazard control services . . . yet it is small enough that you may rest assured you always will have direct personal attention from seasoned technicians and astute executives.

Briefly, you'll find at Fred. S. James & Co. the skills that only time could instill . . . over one hundred years of continuous progress in the field of insurance!

A great many of today's leading industries and businesses, both large and small, clearly recognize the economy and safeguard afforded by insurance through Fred. S. James & Co. A survey of your up-to-date insurance needs will convince you. Call or write to us today.



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Delaware Valley Chapter, ASIM Gives Scholarship Award to John S. Curran

Delaware Valley Chapter of The American Society of Insurance Management, Inc. is the FIRST chapter of ASIM to give a Scholarship Award to the graduating (February or June) Senior, majoring in insurance at the Wharton School of Finance and Commerce, University of Pennsylvania.

David D. Day (American Visco Corporation—Philadelphia) president of Delaware Valley Chapter, made the announcement in a letter to Dr. Willis J. Winn, Dean of the Wharton School, dated May 17, 1960:

"The American Society of Insurance Management, Inc., has, since its inception, recognized the need to encourage insurance education. At the national level, an educational committee cooperates with the American Association of University Teachers of Insurance in furthering this goal. Of particular interest here in Philadelphia is the assistance given in providing confidential material and some financial assistance to a graduate student—Robert Goshay, who is writing his doctoral dissertation at the University of Pennsylvania. (Ed. note: This dissertation is on "Self-Insurance").

The members of the Delaware Valley Chapter of ASIM, as well, feel that we have a personal obligation to promote insurance education in our own area. As a consequence, we asked Dr. H. Wayne Snider (an Honorary Member of ASIM) of your insurance department, to make recommendations as to how we might most appropriately serve this cause. He pro-

posed the following program at our last meeting which was unanimously accepted by our members:

1. A prize of \$250.00 to be awarded annually in June to the graduating (February or June) senior majoring in insurance who has earned the highest cumulative grade point in his insurance courses. In case of a tie, the cumulative grade point for all Wharton School courses should be used to break this tie.
2. A suitable plaque to be presented to the school on which the name of each winner will be engraved. It is hoped that the permanent recognition of outstanding scholarship afforded by this plaque will act to encourage others.

It is our sincere hope that this program will be acceptable to you and can be placed into effect for the current year."

John S. Curran Is The Recipient of The Award

John S. Curran has been awarded \$250.00 from Delaware Valley Chapter, ASIM as the recipient of the first Scholarship Award for the graduating senior having the highest academic scoring in insurance courses.

Every member of the American Society of Insurance Management, Inc. joins Delaware Valley Chapter in congratulating Mr. Curran and every member of ASIM is proud of Delaware Valley Chapter for having inaugurated this means of recognition to students of insurance.

The Role of Education—Snider

(From page 6)

ports issued, most of which have uncritically accepted the superiority of "a liberal education". As a consequence much of the criticism at the collegiate level has been directed toward the professional schools.

Although some attention has been given to the curricula of schools of medicine and of engineering, the principal criticism has been directed at the collegiate schools of business.² A partial explanation of this is the growth in enrollment in schools of business in the last 30 or 40 years. In 1920, for example, only 3.2 percent of the bachelor degrees granted were given by schools of business. In 1949, 16.8 percent of the bachelor degrees were given by schools of business, reflecting the popularity of a business degree with those attending under the GI Bill of Rights. In 1958, the percentage was 13.7.

The significance of the GI Bill of Rights to these criticisms is so important that it should be recognized. Following World War II the demand of veterans for a college education was far greater than had been anticipated. Schools throughout the country had to expand their facilities rapidly to provide for the influx. In particular departments and schools of business were created or enlarged. This capitalized on an area where the interest of the veterans was high and where the cost of providing instruction was low. These newly-developed departments were not well prepared to instruct. They tended to copy programs of established and recognized schools without understanding their philosophy; and their admission standards were low to

²Two principal studies of collegiate schools of business have recently been made; Gordon, R. A. and Howell, J. E., *Higher Education For Business*, Columbia University Press, 1959, sponsored by the Ford Foundation, and Frank Pierson, et al. *The Education of American Businessmen*, McGraw Hill Book Company, Inc., 1959, sponsored by the Carnegie Corporation.

(More on page 32)

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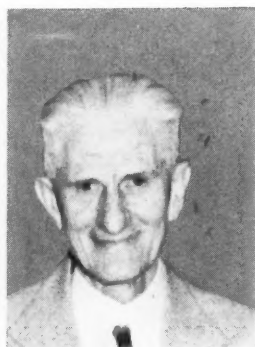
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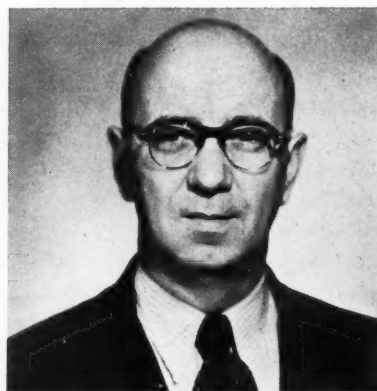
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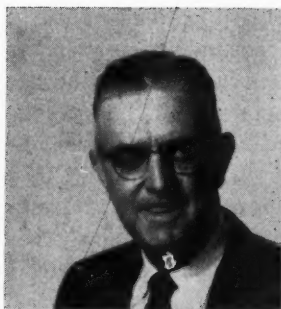
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PETER A. BURKE
Managing Director
(1950-1960)



W. HOWARD CLEM
Schlumberger Well Surveying Corporation
(1959-1960)

Last, but not least, much of the success and growth of The American Society of Insurance Management, Inc. must be attributed to Peter A. Burke who has been Managing Director of the association during these past ten years.

The Role of Education—Snider

(From page 28)

non-existent. It is not surprising that they achieved the degree of success that they did.

The specific criticisms directed at the schools of business have been many and varied, but there are two which are particularly important and which have been widely accepted. First, it is charged that the subject matter is too narrow and specialized. The accusation is made that the vocational training of "how" has frequently been substituted for the educational techniques of "why". Second, it is charged that course proliferation is common.

The remedy proposed by the critics is that a substantial number of general education (liberal arts) courses be required of all business students to provide a measure of breadth to their education. *Management courses will be the heart of the business curricula.* Under this program it is proposed that the functional areas be studied only as an application of management theory.

Area of Insurance

The question may be raised as to the applicability of the criticisms of the business curricula as a whole to the particular area of insurance. The answer is that in many schools insurance is particularly guilty. Vocationalism is frequently over-emphasized; overlapping of subject matter and course proliferation occur much too often. Among the specific courses which are being taught at various colleges and universities throughout the country in the field of property and casualty insurance are the following: agency management, automobile and advanced automobile insurance, workmen's compensation and advanced workmen's compensation, aviation insurance, burglary insurance, loss or claims adjustment, homeowner's comprehensive policies, commercial and personal package policies.³

³Erickson, W. A., and Norton J. H., *College and University Courses in Insurance*, published by the S. S. Huebner Foundation for Insurance Education, 1958, p. 45.
⁴Pierson, Frank, *op. cit.*, p. 278.

Since insurance is one of the functional areas of study, the application of the proposed remedy indicates a shift in emphasis from the approach currently being used to that of the management of risk and insurance, in other words, *risk management*. Actually the immediate widespread adoption of this approach is being delayed only by the lack of suitable text materials and the lack of a clear-cut philosophy of risk management to guide the college teachers. College teachers are so busy with their day-to-day obligations and their outside commitments that they have had the time to develop neither text material nor a philosophy. One of the criticisms made of business school faculties is that teachers in accepting consulting work to provide a satisfactory level of income "court the risk of becoming mere followers of the particular group they serve."⁴

Nonetheless it is evident that the lack of text materials and a philosophy is being overcome and that very shortly the curricula of many insurance departments will be centered around the subject of risk management. As a result of this shift, college graduates will be entering into the business world both accepting the concept that the risk management department is an integral part of any business organization and expecting to find the operation of the risk management department as efficient and as advanced in its technique as that of any other department.

This new approach, emphasizing as it does general principles and avoiding the vocational and training aspects of risk and insurance, will create a demand for technical training from other sources. This in turn suggests that organizations interested in the broad area of risk and insurance must begin now to prepare technical training programs, for the college graduate of the future is not likely to be as intensively prepared upon graduation in the techniques of insurance as he was in the past.

More specifically, this suggests that the seminar programs of the American Society of Insurance Management must be oriented to an

even greater degree to an integrated program progressing logically from elementary to advanced study. This does not mean that special seminars treating subjects of current importance should not be omitted, but it does mean that a regular progression of coordinated seminars must be developed and maintained.

It suggests that in the future colleges will have to provide many more of the special training seminars which have developed in the post-war period. Intensive programs three days to two weeks in duration on technical phases of insurance operation appear to be unavailable. The one-day programs of the local chapters of the American Society of Insurance Management will also play a part in this training program.

Incidentally, the recent announcement from the American College of Life Underwriters that it is moving to a new location in the suburbs of Philadelphia where it can expand its physical facilities, together with the announcement of the creation of a Permanent Endowment fund of \$1,000,000 leads one to speculate that this organization is preparing to meet the problem of specific training by enlarging its operation to provide in-residence courses.

Finally, this new approach to insurance education suggests that if risk management is to move effectively toward professionalism, this is the proper time to create an institute which can develop the necessary program of study and examination. Although many persons undoubtedly have had a part in promoting the concept of a professional risk manager, to my knowledge the first person to suggest the idea was Mr. C. Henry Austin, insurance manager of the Standard Oil Company of Indiana and second vice

(Concluded on page 41)



WHAT DOES ÆTNA CASUALTY MEAN

by "true low-cost
insurance"?

by

Howard T. Knudsen

Vice President, Underwriting Department
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Sound insurance practice dictates that losses be the major factor in determining insurance premiums. In order to get business, therefore, a successful insurance company does not simply "cut rates" without regard to the previous loss record. Instead, it works hand in hand with the agent or broker to develop a program which is *realistic* from a cost standpoint, being both fair to the buyer and fair to the company. Then, once on a risk, it continually strives to *lower* its premium by helping the policyholder improve his accident record, and by proper handling of losses when they occur.

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The Ætina Casualty alone cannot *guarantee* a lower frequency of losses to *anyone*. But our experience does prove that, *with proper cooperation*, accident frequency *can* be reduced on almost *any* risk.

To this end, we maintain a staff of more than 230 experienced engineers in 63 offices. Their function is not specifically to *prevent* accidents, but rather to help policyholders establish a *continuing climate of safety* in their plants or businesses.

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In regard to loss handling, our policy is twofold: (1) We pay, *promptly and willingly*, all legitimate claims, but (2) after consultation and agreement with our policyholders, we challenge all claims which appear fraudulent or excessive.

Taking full advantage of our country-wide facilities, Ætina adjusts contact all claimants without delay—in a matter of hours, if need be. This is important because experience has shown that, once assured of the company's friendly interest and hon-

est intention to deal fairly, claimants are far less likely to press exorbitant demands.

But all this is meaningless unless...

we offer an underwriting plan which translates a record of fewer losses and more efficient claim handling into *actual premium savings*.

To accomplish this, our underwriting approach invariably starts with a thorough, professional analysis of the exposures involved, developed in full cooperation with the client's agent or broker. This is then followed up with competent advice and recommendations on the kinds and amounts of protection needed.

And here is a most important feature of our service. We continually study the many different coverage plans available so we can give each client the advantage of the plan best suited to his individual requirements. There will be cases, of course, where our initial premium is not as low as some competitor's. However, with a tailor-made underwriting program, experienced engineering service, proper claim handling and the full cooperation of management, it seldom takes us long to *reduce costs* to a point at least as low as any competitor who isn't just out to "buy the business."

This, in essence, is what we mean by "true, low-cost insurance." Ætina Casualty's approach is to *study* the risk thoroughly, to consider carefully the counsel and advice of the controlling agent or broker, to come in with a realistic starting premium, and then to work with the risk to produce satisfactory results year after year. It's the *long-run approach*, of course, but we believe it means not only lower insurance costs but sounder protection and more satisfied clients. In any case, *we would rather under-promise and over-deliver than over-promise and under-deliver*.

A word about "Personal Service"

For true low-cost insurance, the *Personal Service* of your agent or broker is of utmost importance. He will work closely with you in helping to reduce losses and in the efficient handling of claims. He will carefully and continuously check on your ever-changing insurance requirements. Finally, he will periodically recommend needed adjustments in your program to keep you adequately insured, at the lowest possible cost.

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Large losses with the major portion of the property destroyed are infrequent, but the danger of incurring such a loss makes it absolutely essential that both the amount of insurance and the supporting evidence of value be adequate to meet the requirements. Although small losses may at times be settled on the basis of the cost of repairing the damage, in large losses the "proof of loss" section of the policy is invoked. This requires the property owner to furnish a complete and detailed inventory of the destroyed, damaged and undamaged property, showing in detail quantities, costs, actual cash value, and amount of loss claimed. If, through lack of adequate records, he cannot do so, the adjustment may be prolonged and the settlement unsatisfactory.

It is in the upper limits of value that insurance is most needed—and too often lacking—for destruction of a major portion of the property without insurance could well mean financial ruin. In order to assure adequate protection, the intelligent approach requires establishing the total value of the property for placement purposes and a property record that will provide the necessary details for preparing a proof of loss.

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Canadian Appraisal Company, Ltd.
Montreal and Toronto

Auto Rental — Henning

(From page 8)

Lessee". This means that the insurance of the individual, whether he be traveling as an individual or as an employee of a business concern, has his own personal automobile Liability insurance involved. Under a Family Automobile policy, coverage is provided for the Assured and any member of his family while driving an automobile. Therefore, the Liability insurance provided by the rental agency is excess over that insurance provided by such a Family Automobile policy.

In those situations where an individual does not have a personal automobile, the auto rental insurance would be primary for any claim resulting from the operation of the rental automobile.

In limiting the coverage provided by the auto rental Liability policy, some rental agreements indicate that the insurance provided by the rental agency does not cover the Rentee, or the driver, for injuries sustained by passengers or guests or any other persons while riding in the vehicle. This very definitely narrows the coverage provided by that blanket policy, but another rental agreement goes even further in this connection—it indicates that the Rentee expressly agrees to "Indemnify the auto rental agency's insurance company for any and all loss, damage, cost and expense paid or incurred by the insurance company because of injuries or damage sustained by occupants of the vehicle in States where the law makes the Renter or its insurance carrier liable for injuries to occupants of the vehicle." Please note that this is a Hold Harmless Clause passing on to the Rentee the cost of *any liability* for injuries suffered by occupants of the automobile.

The Hold Harmless or Indemnity Clause in the rental agreements usually reads further as follows: "The Rentee expressly agrees to indemnify the insurance company because of injuries or damage resulting from the operation of said vehicle in violation of any of the terms and conditions of the Agreement."

This makes it imperative to examine closely the terms and conditions of the Rental Agreement that might be violated. We find some of the following items will violate the insurance in that they are prohibited by the rental agreement:

The vehicle shall not be operated
By any person not holding a
valid driver's license.

In any race or speed contest.
To propel or tow any vehicle.
By any person under the influence of intoxicants or narcotics.
For any illegal purpose.

Recklessly as to speed or otherwise. (Italicized emphasis is not in Agreement).

If any of these things occur, the Hold Harmless or Indemnity Clause is placed in operation against the Rentee of the automobile. Other rental agreements indicate that in the event any of the terms and conditions of the contract are violated or breached the insurance is null and void. If an individual driving the rented automobile causes an automobile accident, it might be construed that the automobile was being driven recklessly in that it involved excessive speed, or the driver had violated some municipal law in the operation of the vehicle which, per se was recklessness.

Normally in Automobile Liability insurance you expect some type of Omnibus Clause indicating that any individual can drive the automobile, if he does so with the permission of the owner. Actually, many Rental Agreements state that only the person who has rented the automobile, or a member of the Rentee's family, or the Rentee's employer, can drive the automobile. This means that if anyone else is allowed to drive the automobile, the insurance provided by the Rental Agreement is not applicable. It could be possible to have two individuals traveling together and involved in the rental of an automobile, and if the one other than the person signing the Rental Agreement drives the automobile, there is no insurance. In some cases even fellow employees of the same company cannot drive the car.

When a person steps up to the Auto Rental Agency counter and

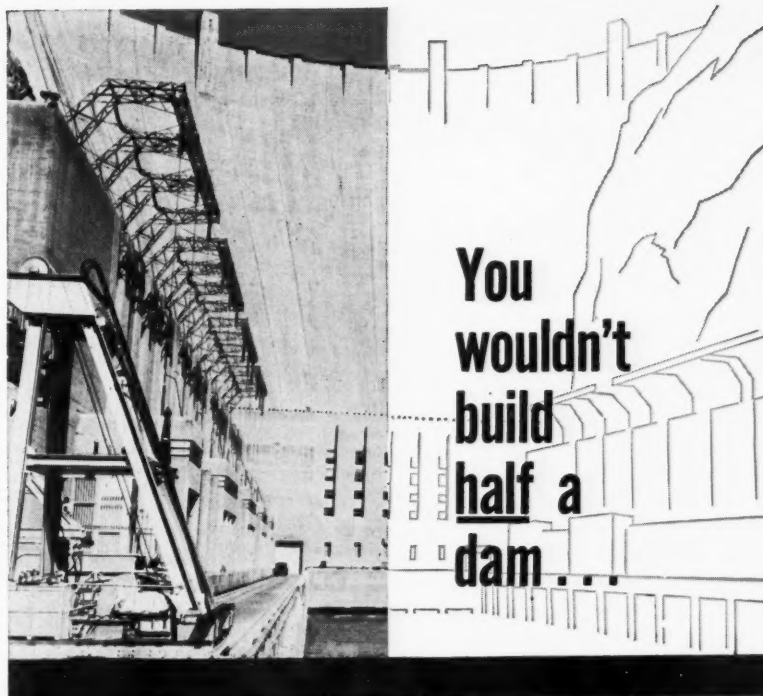
asks to rent an automobile he is usually asked, "Do you want insurance?" This usually refers to eliminating the \$100. deductible applicable to Collision insurance provided under the Rental Agreement. Normally an individual on personal business would want coverage for Collision damage caused to the automobile while in his care. One rental agreement says that for an additional fee of \$1.00 per day the Company agrees to relieve the renter of all Liability for Collision damage while the auto is used or operated in conformity with the terms of the Rental Agreement. The Agreement goes on to say that the Renter shall be fully liable for all such damage if the vehicle is used or operated in violation of any law, or of the terms of the Rental Agreement. The driver of the vehicle who is speeding, goes through a stop sign, breaks any other municipal law, or any other violation of any law does not have full Collision insurance even though he has paid up to the annual equivalent of \$365. for the first \$100. coverage.

Even though the Rental Agreement states that the Lessor will agree to provide, without charge, Fire, Theft & Public Liability insurance, the same Rental Agreement, in another place, indicates that the Renter is responsible and must pay for the value of all tires, tools, and accessories lost or *stolen* from said automobile. This in spite of the fact that the Lessor or Rentor agrees to provide Theft insurance.

If a competent insurance man found himself in this situation he would at least understand the effect of such a rental agreement (if he read it before signing) but we should realize that there are many people who sign the agreement without any understanding of what they are signing. After reviewing in detail some terms and conditions of the Rental Agreement we seriously question the validity of the advertising statement by such Rental Agencies that they provide *adequate* insurance.

Included in the rental fee for the automobile is the charge for this "insurance". It would appear in-

(More on page 36)



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Auto Rental — Henning

(From page 35)

equitable that an individual could walk into the automobile rental agency with an adequate private insurance program on his personal automobile (which will definitely be involved in the event of an automobile accident), while another individual walks in without any personal automobile Liability insurance and pays the same rental rate including the insurance charge.

What of the innocent third party in an automobile accident, who is entitled to some payment for injuries suffered in the automobile accident? Assuming the injured party has a justifiable claim, he would normally proceed against the owner of the automobile for damages. In the case of the short term rented automobile, however, we find that the injured third party can proceed against the owner of the rented automobile, the renter of the automobile and the employer of the Renter of the automobile. All three of these entities could have separate insurance programs and, because of the terms of the rental agreement, the insurance companies for the automobile rental agency might deny participation because of the Excess Insurance Clause in the rental agreement. We then find the employee's personal insurance is involved (insurance on his personal automobile) and if he is acting as

an employee while involved in the automobile accident, the insurance of the employer is also involved. This means in all probability the innocent injured third party may be required to bring suit against all three entities, involving the three insurance companies, in order to receive compensation for his injuries! The insurance companies involved may be reluctant to step into the claim negotiation and attempt an equitable settlement because of the concern of who is going to participate in the claim, and to what extent they will participate. In the Family Automobile Liability policy, the Other Insurance Clause states that the policy is excess over other insurance in the case of a hired automobile. Most Comprehensive General Liability policies that would be carried by a business concern would state in their Other Insurance Clause that the policy is excess over other Liability insurance available. With all policies stating that they are excess they each would then contribute to the loss adjustment. Further, all of these policies would probably have different limits of liability. Again, this might affect the amount of participation of each insurance company. If the auto rental Liability insurance carrier was able to deny liability on the basis of a violation of the auto rental agreement terms, the final payment would then rest on the insurance carrier of the employee on his personal automobile

and on the insurance carrier of the employer under the business concern's insurance program.

There have been several recent court decisions that have very definitely affected the interpretation of Omnibus Clauses in insurance policies, and experienced claims men doubt that the Omnibus Clause, or any other contractual wording, can be limited in some states so as not to provide coverage for any person driving the automobile with permission. This means that, regardless of the terms of the rental agreement, coverage would be available to the driver of the rented automobile, but again the question of excess participation very definitely applies to any claim settlement, and court interpretation would probably be required.

This attempt to be free of any claims participation is somewhat analogous to the Hold Harmless circle where each entity involved attempts to pass onto the next one the liability for any claim. This results in increased insurance costs, confusion in the claims adjustment circles, and contradictory judgments by the courts.

We suggest that the most equitable method of distributing the claims costs which involve short term rentals is to include them as a part of the automobile rental fee. This can be done by requiring the auto rental insurance to respond as primary insurance without requiring

(Concluded on page 37)

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Auto Rental — Henning

(From page 36)

ing other insurance available to participate in the claim, except on an excess basis.

We believe that it would be proper to enact legislation that would require that Auto Rental Agencies provide Liability insurance with basic or financial responsibility limits and the legislation should further require that this Liability insurance be primary insurance in any claim settlement. We believe that this recommended legislation should prohibit the use of clauses in the Rental Agreement which limit the insurance coverage provided to less than that provided by a standard Automobile Liability policy. If this is done, the individual who does not have any other Automobile Liability insurance will be certain of protection to the extent of basic financial responsibility limits and to the extent of standard coverage available to the usual purchaser of an Automobile Liability policy.

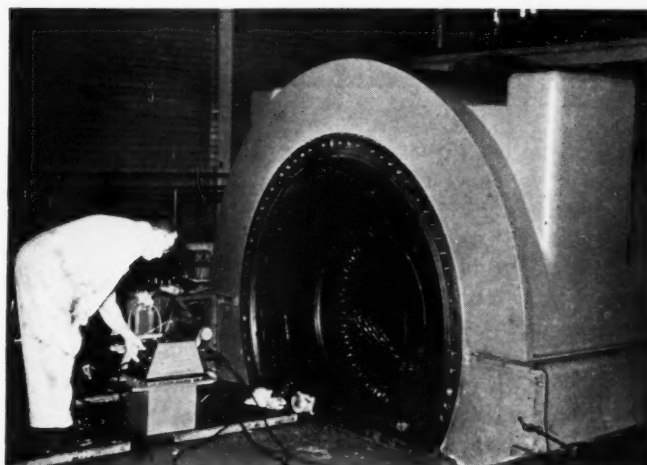
(Address before Northern California Chapter, ASIM)

Northern California Chapter, ASIM Elects New Officers

Justin A. Crockwell of Pacific Gas and Electric Company has been elected president of Northern California Chapter, ASIM.

Other officers are: Donald W. Henning, Permanente Cement Company, vice president; Frank W. Ahlert, The Western Pacific Railroad Company, secretary; and Albert J. Howard, First Western Bank and Trust Company, treasurer.

Directors are: Edmund D. Leonard, California Self-Insurers Association; Robert G. Ottesen, Utah Construction Company; and H. Langdon Hilleary, Standard Oil Company of California. Elected to the Board of Directors of the American Society of Insurance Management, Inc.—Alfred W. Reid, Foremost Dairies, Inc.



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Earthquake Insurance—Buffinton

(From page 10)

the building has been built, the presence of unanchored parapets or overhanging cornices, and the condition and type of cement mortar used in buildings of masonry construction.

The work of the late John R. Freeman in this important field is well known. Some of the important conclusions reached by Mr. Freeman are as valid today as they were in the late 1920's and early 1930's and are repeated here because of their significance to the overall problem of proper insurance underwriting.

1. A well designed and well built building of reinforced concrete having a rigidly braced steel frame and which is less than 100 feet in height, will resist an earthquake shock as violent as any that have occurred in the United States or Canada with only minor resulting damage.
2. Well designed and well built wood frame dwellings on good foundations will sustain only minimum damage in a major earthquake.
3. Structures of cement block although one or two stories in height are likely to be badly shaken and walls of adobe block have proved extremely weak in resisting earthquake shocks. (It is significant that the recent major earthquake in Agadir has again proven the validity of this statement).
4. Ordinary brick veneer on wood framing will sustain major damage by earthquakes of even relatively moderate intensity, and hollow tile walls and partitions and ordinary brick chimneys are among the first parts of a building to be damaged.
5. Buildings on good concrete foundations invariably show less damage than those constructed upon piers or light footings.

Protection or the Resistance Factor

Although in the fire and allied lines field we generally think of protection as related to the presence or absence of automatic sprinklers and the degree of public protection available, protection is also recognized in earthquake insurance although perhaps it is more often thought of as the resistance factor or the fact that through the inclusion of special features buildings can be constructed which will safely resist earthquake shock.

Well informed managements always consider the need for automatic sprinkler protection when constructing new buildings because they are aware of the differential in fire insurance rates between a sprinklered and unsprinklered building and because sprinkler protection is of significant importance in reducing loss of life as a result of fires. Equally well informed managements building new plants in earthquake areas should also recognize the need for earthquake

resistant construction. Fortunately building codes on the west coast of the United States make such recognition mandatory in most areas. Unfortunately such requirements are far from universal and needless loss of life and damage will continue at places such as Agadir until better regulations are adopted.

Occupancy

In the United States separate building and contents base rates for fire insurance are developed for more than 100 different statistical classifications. Earthquake rating schedules are not as detailed but the kind of occupancy is important in determining earthquake contents rates. The earthquake insurance rules of the Pacific Fire Rating Bureau provide five classes of contents and the rates for classes most susceptible to earthquake damage are from 5 to 12½ times as great as the rates for contents which are least susceptible depending upon the type of building construction involved. The Factory Mutual Fire Insurance Companies, who are insurers of large industrial risks, use their own earthquake rating schedule which has three classifications for contents. Contents rates provided by this schedule bear a constant relationship to the building rate for earthquake insurance and are 100% 75% or 50% of the building rate depending upon the susceptibility of the contents to earthquake damage.

Present knowledge does not indicate the need for any further refinement of earthquake rating schedules insofar as occupancy is concerned. The major problem is related to exposure and frequency of loss occurrence.

Exposure or Area Factor

Exposure is also recognized in establishing earthquake rates although it may be more generally thought of as the area factor or the territory within which damage occurs as a result of a single earthquake. From the standpoint of the fire risk, exposure is considered from three viewpoints, namely internal exposure from other risks in the same building, external exposure such as adjoining or nearby buildings, and conflagration exposure. The conflagration exposure from fire has been considerably reduced since the 1906 San Francisco disaster. Improvements in building design and fire fighting techniques have in fact, so reduced this exposure that it is very unlikely that we could have a conflagration today which would, for example, approach the damage sustained in the great Chicago fire of 1871.

Surveys are made of all large cities in the United States today and existing conflagration areas are mapped out and are used by underwriters in considering this exposure and most insurance companies limit their participation on risks in such areas.

(More on page 39)



How about it... could your business survive a **major** break in operations?

Coffee breaks . . . sure! Minor interruptions like this you learn to take in stride, for they seldom place any great strain on your resources. But could you absorb a major break in your production schedule — such as a crippling fire — and still stay in business?

The fact that you carry insurance is no guarantee that you could meet *continuing* expenses. Ordinary fire policies do not provide reimbursement for the period between the time when fire destroys facilities and production is resumed on a paying basis. They make no provision for continuing

salaries, interest payments, taxes or other such expenses. Nor do they take into account *the profits lost* during the shutdown period!

This is why so many leading corporations have turned to the Manufacturers Mutual *Use and Occupancy Policy* for this important protection. It provides reimbursement for continuing expenses and loss of profits when production has been interrupted by fire or any of the extended coverage perils. Why don't you take a "break" now to write for further details on this vital coverage.



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Earthquake Insurance—Buffinton

(From page 10)

the building has been built, the presence of unanchored parapets or overhanging cornices, and the condition and type of cement mortar used in buildings of masonry construction.

The work of the late John R. Freeman in this important field is well known. Some of the important conclusions reached by Mr. Freeman are as valid today as they were in the late 1920's and early 1930's and are repeated here because of their significance to the overall problem of proper insurance underwriting.

1. A well designed and well built building of reinforced concrete having a rigidly braced steel frame and which is less than 100 feet in height, will resist an earthquake shock as violent as any that have occurred in the United States or Canada with only minor resulting damage.
2. Well designed and well built wood frame dwellings on good foundations will sustain only minimum damage in a major earthquake.
3. Structures of cement block although one or two stories in height are likely to be badly shaken and walls of adobe block have proved extremely weak in resisting earthquake shocks. (It is significant that the recent major earthquake in Agadir has again proven the validity of this statement).
4. Ordinary brick veneer on wood framing will sustain major damage by earthquakes of even relatively moderate intensity, and hollow tile walls and partitions and ordinary brick chimneys are among the first parts of a building to be damaged.
5. Buildings on good concrete foundations invariably show less damage than those constructed upon piers or light footings.

Protection or the Resistance Factor

Although in the fire and allied lines field we generally think of protection as related to the presence or absence of automatic sprinklers and the degree of public protection available, protection is also recognized in earthquake insurance although perhaps it is more often thought of as the resistance factor or the fact that through the inclusion of special features buildings can be constructed which will safely resist earthquake shock.

Well informed managements always consider the need for automatic sprinkler protection when constructing new buildings because they are aware of the differential in fire insurance rates between a sprinklered and unsprinklered building and because sprinkler protection is of significant importance in reducing loss of life as a result of fires. Equally well informed managements building new plants in earthquake areas should also recognize the need for earthquake

resistant construction. Fortunately building codes on the west coast of the United States make such recognition mandatory in most areas. Unfortunately such requirements are far from universal and needless loss of life and damage will continue at places such as Agadir until better regulations are adopted.

Occupancy

In the United States separate building and contents base rates for fire insurance are developed for more than 100 different statistical classifications. Earthquake rating schedules are not as detailed but the kind of occupancy is important in determining earthquake contents rates. The earthquake insurance rules of the Pacific Fire Rating Bureau provide five classes of contents and the rates for classes most susceptible to earthquake damage are from 5 to 12½ times as great as the rates for contents which are least susceptible depending upon the type of building construction involved. The Factory Mutual Fire Insurance Companies, who are insurers of large industrial risks, use their own earthquake rating schedule which has three classifications for contents. Contents rates provided by this schedule bear a constant relationship to the building rate for earthquake insurance and are 100% 75% or 50% of the building rate depending upon the susceptibility of the contents to earthquake damage.

Present knowledge does not indicate the need for any further refinement of earthquake rating schedules insofar as occupancy is concerned. The major problem is related to exposure and frequency of loss occurrence.

Exposure or Area Factor

Exposure is also recognized in establishing earthquake rates although it may be more generally thought of as the area factor or the territory within which damage occurs as a result of a single earthquake. From the standpoint of the fire risk, exposure is considered from three viewpoints, namely internal exposure from other risks in the same building, external exposure such as adjoining or nearby buildings, and conflagration exposure. The conflagration exposure from fire has been considerably reduced since the 1906 San Francisco disaster. Improvements in building design and fire fighting techniques have in fact, so reduced this exposure that it is very unlikely that we could have a conflagration today which would, for example, approach the damage sustained in the great Chicago fire of 1871.

Surveys are made of all large cities in the United States today and existing conflagration areas are mapped out and are used by underwriters in considering this exposure and most insurance companies limit their participation on risks in such areas.

(More on page 39)

In earthquake insurance we are not as fortunate in having such information and we need to know the areas over which violence may be sufficient to destroy structures or damage them in any single earthquake.

Studies made by John R. Freeman indicate that the area of destructive violence in any one earthquake has always been relatively small and it is highly probable that this area will never exceed 2500 square miles when considering earthquakes in the United States. Seldom have earthquakes caused important damage to structures at distances of more than 25-50 miles from the center of the disturbance and major damage is generally restricted to a narrow belt not more than 10 miles wide.

In the San Francisco earthquake of 1906 this belt was about 200 miles long, but the area of greatest intensity was still of modest size. The report of the California Earthquake Investigation Commission in connection with the 1906 San Francisco earthquake, indicated the following areas of intensity, (*Rossi-Forel scale*):

Zone X — 400 square miles

Zone IX — 3000 square miles

Zone VIII — 9000 square miles

Another severe earthquake, the Santa Barbara earthquake of June 29, 1925, involved a much smaller belt approximately $\frac{1}{4}$ mile wide and two miles long representing the area of severest intensity within which the major damage occurred.

The New Madrid earthquake of December 16, 1811, was also restricted to a fairly narrow belt perhaps 100 miles along the Mississippi River. The local severity of the New Madrid earthquake was intensified, however, by the peculiar circumstances of the geological and sedimentary conditions of the area involved.

The Assam, India, earthquake of 1897 was felt over an area of about $1\frac{3}{4}$ million square miles and yet reports indicate that the epi-central area of this earthquake was only about 200 miles long from east to west and about 50 miles in width. One report indicated that the maximum intensity of X Rossi-Forel scale extended for a distance averaging only about 70 miles from the epi-center.

It is unfortunate that the total area over which a major earthquake is felt is often misinterpreted as being directly related to the amount of damage which will result. It must be recognized that comparisons of relative damage of various earthquakes must take into account the type of construction involved and the type of ground upon which the structures have been built. These factors should not be confused with the area of major destruction or the area within which there is the possibility of major destruction.

Element of Time—Frequency of Loss Occurrence

In the property insurance field and particularly in fire insurance, it is recognized that loss trends do exist, but because of the usual frequency of fires and the large amount of insurance written, the extremes are not as great in fire insurance experience as they are in earthquake experience. Reference to the chart (see page ..) showing a comparison of the fire and earthquake loss ratios for the period 1916-1957 shows that the fire loss ratio for the United States is generally contained within a range of ratios of from 40% to 60%. The absence of major conflagrations in the last 40 years has contributed to this result.

As would be expected, the earthquake loss ratio for the State of California for the same period shows a much wider range of fluctuation, having several minimums of 0 and a maximum of 118% representing the loss ratio for the year 1933 as a result of the Long Beach, California, earthquake.

Loss Ratios for extended coverage insurance (includes the perils of windstorm, explosion, riot, etc.) are more susceptible to fluctuation than fire insurance and although not shown on the chart, in the period 1940-1957, extended coverage insurance for the United States had a loss ratio of from 21.8% to 63.3%. Extended coverage experience on a State basis, would produce greater fluctuation and has some of the problems of earthquake insurance inherent in its makeup although a much wider premium base exists.

A company writing dwelling insurance can foresee with reasonable accuracy the number of dwellings that will be subject to damage by fire and windstorm and can estimate within reasonable bounds what the loss ratio will be over a five or ten year period. We have already pointed out that the problem of conflagration is not serious today in most areas, and as long as the underwriter obtains a reasonable spread of risk, he need not be too concerned with this factor.

In extended coverage insurance a single windstorm may involve a wide area and losses of substantial proportion have occurred in recent years in various parts of the United States. Most companies, however, limit their insurance writings in areas susceptible to hurricanes and the spread of risk evens out the experience. Extended coverage insurance is widely purchased throughout the United States today, thus providing a firm base for statistical analysis. It is significant to note, however, that the November 25, 1950, windstorm in the northeastern United States caused damage resulting in claims in excess of 200 million dollars, whereas the San Francisco earthquake of 1906 resulted in earthquake damage estimated at 90 million dollars when converted to the 1950 equivalent.

(More on page 44)

Development — Brightman

(From page 26)

of losses. I was interested to learn recently that in the United States some forty-one Stock and twelve Mutual Companies, other than the Factory Mutuals, are now offering Property Insurance on a Deductible basis. The list is growing and already includes several leading companies. In our case, nearly 40% of the insurance which we write now applies with a Deductible, and the percentage has grown each year since we adopted our present schedule in 1950.

While I doubt that there is any formula for general use which would tell you just how much of a Deductible you should buy in a given situation, I suggest that you consider carefully your own corporation's ability to absorb uninsured losses. Having done this, consult your carrier concerning the premium which can be saved. The savings under a carefully developed Deductible plan may be quite attractive, perhaps sufficient to apply to good advantage to purchasing more complete insurance against the catastrophe which, although unusual, could cause serious financial distress.

Transfer of Risks

I would like now to expose for consideration the sixth and final point, the "T" in my REPEAT formula. This is the Transfer of Risks

—the shifting of a share of the burden to another — your insurance carrier.

Important corporations must of course carry insurance of many kinds and varieties. You do this to protect the interests of your stockholders, to satisfy legal requirements, to cover your liability to others, to provide benefits to your employees—to list but a few of the reasons.

(In Canada, you have a free choice of world markets for the placement of your insurance requirements. You have tariff and non-tariff companies, agency companies and direct-writing companies and Underwriters at Lloyd's. It is seldom necessary, either because of the kind of the insurance or the limits required, to seek coverage from a carrier not licensed by the Dominion or the Provinces. This means that most of the companies likely to receive your consideration have satisfied and continue to satisfy the Government authorities as to the adequacy of their financial structure. Unlike the United States where the States are committed to the basic principle of regulation of fire and casualty rates, Canada follows the principle of free competition as being in the best interest of the insurance buying public. This means that in many cases rates have been lower for specific hazards than the corresponding regulated rates in the United States. The point I would make is that Canadian manufacturers have a wide choice of mar-

kets for all forms of coverage from soundly managed and operated insurance companies and that the price tag for the coverage should be found equitable.)

In suggesting that you have many dependable sources from which to choose and a vast catalog of available coverages with which to clothe the risk, I would emphasize, too, the needs of keeping your insurance purchases in balance with the character and the extent of the exposures. While it would be reckless for management to fail to provide ample insurance to meet catastrophe losses, yet it can be quite wasteful of corporate funds to buy every kind of policy which is offered or to transfer to the insurance company and pay a loading in the process those nominal losses which the business can well afford to retain.

The construction of a sound insurance programme necessitates that top management evolve a clean-cut corporate policy. Having done so, the authority and responsibility to implement that policy should be assigned to an officer thoroughly competent for the position. Obviously, this officer must be well versed in the operations of his company and the exposures to economic

(Concluded on page 42)

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The Role of Education — Snider

(From page 32)

president of the American Society of Insurance Management, Inc. In the last four or five years the desirability of a professional movement has slowly gained acceptance by persons both within and without the occupation until today serious consideration can be given the proposal.

If this movement is to succeed there are several steps that must be taken. First, an independent organization or institute must be created to develop the program of professionalization. In my opinion this organization must be directed by educators if it is to receive the necessary recognition and acceptance. Any other approach will appear to be a form of self-acclamation and consequently will fail to achieve public acceptance.

Next, this institute must develop a program of professional study to be undertaken either on an individual basis or in small classes. This program might include the study of risk management principles, loss prevention, insurance principles and practice, employee benefit programs and industrial relations, business finance, taxation, and business and insurance law.

Finally suitable examinations must be prepared to test students in the various areas of study, together with acceptable techniques of grading these examinations. An appropriate professional designation could be granted for those who successfully complete the examinations and meet other professional standards.

Yes, important developments are occurring in the field of education which bear on risk management. Many of the suggested changes will remain largely outside the control of the practitioners of risk management. Others, however, can be influenced and directed by those practitioners to their benefit if they provide the necessary imagination and leadership.

Sherman D. Carter Is President of Maryland Chapter, ASIM

Sherman D. Carter, Army & Air Force Exchange Service, Baltimore, was elected president of Maryland Chapter, ASIM at a recent meeting. John Helfrich, National Brewing

Company, Baltimore, is vice president; and Paul H. Geithner, Jr. of Ellicott Machine Corporation, Baltimore, is secretary-treasurer.



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Development — Brightman

(From page 40)

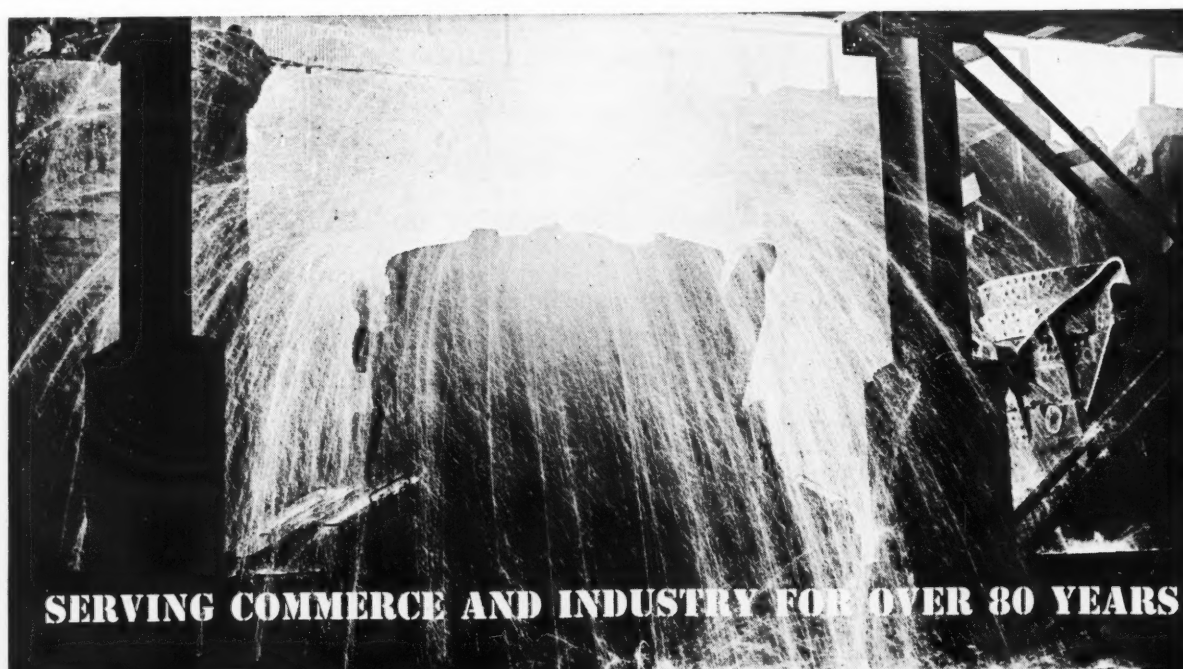
loss which they introduce. He must know thoroughly the insurance markets to which risks may be transferred. If he is to serve as risk manager with maximum value to his company, he must understand and participate actively in its Loss Prevention programme. He must work in close liaison with the Director of that programme. His job is one of many facets necessitating not alone the skill to purchase insurance wisely and to manage his department efficiently, but also the ability to work in close harmony with Engineering, Maintenance, Planning, Production and Finance.

Conclusion

I have purposely made no attempt to delineate the specific forms of insurance which you may wish to consider in developing your plan, nor have I referred to the appropriate cost of a sound plan. Rather too often in my judgment in the scramble for a few dollars savings in premium, the quality of the insurance and the value of the carrier's loss prevention services have received too little consideration.


In avoiding the specific, I have tried to depict for you to the best of my ability the most positive approach, as I see it, to the Development of a Sound Insurance Programme. Recognize and Eliminate

or Protect Hazards, Evaluate Exposures, Assume those Risks which may safely be retained, Transfer to a reputable carrier those risks which should be insured. By following this process and by thorough investigation, analysis and understanding of the needs of your business you can create the firm foundation for an insurance structure of great breadth and strength and permanent satisfaction. To the extent that we in the Property Insurance Industry assist you in that endeavor and identify our corporate purposes with your own and only to that extent will we deserve the confidence and support of you who are our policyholders, present and prospective.



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Southern California Chapter, ASIM

Holds Fifth Annual

Insurance Buyers Conference

PROGRAM

The Fifth Annual Insurance Buyers Conference, sponsored by Southern California Chapter, ASIM, was held at the Rodger Young Auditorium in Los Angeles on September 21, 1960.

WELCOME

M. James Bowman,
President, Southern California Chapter
American Society of Insurance Management, Inc.
Assistant Insurance Manager,
American Potash & Chemical Corp.

CONFERENCE KEYNOTE

Waldo W. Powers, Conference Chairman
Insurance Manager, Signal Oil and Gas Company

GROUP INSURANCE

Chairman: John M. Degnon, Insurance Manager,
Space Technology Laboratories, Inc.

"Cost Control of Health Care Coverage"
Holeman Grigsby, Regional Manager, Group
Insurance, Aetna Life Insurance Company
Gerald W. Shaw, M.D., Member Board of
Trustees, California Physicians Service

"Health Care and Life Insurance for Retired
Employees"

Jack H. Seiter, Vice President, Group and
Pension Dept., Johnson and Higgins

INSURANCE BROKERS ASSOCIATIONS — LOOKING AHEAD

Chairman: Paul Harvey, Richfield Oil Corporation

Speaker: Ira S. Brander, Kuhrts, Cox and
Brander, President, National Association
of Insurance Brokers, Inc.

SURPLUS LINES — PRESENT AND FUTURE

Chairman: Harry E. Rugg, Insurance Analyst
Hughes Aircraft Company

Speaker: Harold Toso, President
Sayre and Toso, Inc. San Francisco

A CALIFORNIA AUTOMOBILE ACCIDENT COMMISSION

Chairman: Eldon Clawson, General Council

Speakers: Raymond Stanbury, Attorney at Law
Bekins Van and Storage Company
Gordon H. Snow, Vice President and
General Counsel, Pacific Indemnity
Company

DINNER

Master of Ceremonies:

Harvey Humphrey, Vice President
and Insurance Manager,
Title Insurance and Trust Company

Introduction:

Joe T. Pratt, Insurance Manager
Carnation Company, Past President of
American Society of Insurance
Management, Inc.

Guest Speaker:

C. Henry Austin, 2nd Vice President
and Director of Education,
American Society of Insurance
Management, Inc.
Manager, Insurance Department
Standard Oil Company (Indiana)

Earthquake Insurance—Buffinton

(From page 39)

In earthquake insurance the frequency or infrequency of earthquakes in certain areas provides a serious problem for the underwriter. While he can see that reasonable underwriting based on well established principles will produce reasonable loss ratios for fire and extended coverage insurance over say the next five or ten years, he cannot know what the earthquake experience of his company will be over the next five years or even the next fifty years. Since most underwriters don't have a working span of fifty years, the problem is discouraging both to the individual underwriter and the company he represents. The Company also knows that any excess profits from a period of good earthquake experience will be eaten up by taxes, because no provision has been made for accumulating special earthquake reserves.

The problem of frequency, particularly of earthquakes of major intensity, is a matter of most concern to the underwriter and yet is probably the factor most difficult to predict at the present time. The author has spent considerable time compiling a list of earthquakes of various intensities for different regions of the United States. Reference was made to "Earthquake History of the United States—Part I Continental United States Exclusive of California and Western Nevada" — revised (1956) edition and "Earthquake History of the United States — Part II — Stronger Earthquakes of California and Western Nevada" revised (1951) edition. Reference was also made to the annual publication "United States Earthquakes" for the years 1951 through 1956 to provide an up-to-date record of the earthquakes in California and western Nevada.

Earthquake History of the United States—Part I provides information based on the Modified Mercalli scale whereas Earthquake History of the United States—Part II provides information based on the Rossi-Forel scale. All California earthquakes were converted to the Modified Mercalli scale in order to provide a comparable base. Table I shows the number and frequency of earthquakes of various intensities for the several regions of the United States.

The table indicates, for example, that earthquakes of intensity ten and over (Modified Mercalli scale) have a frequency of 1 in 13.3 years in California as compared to a frequency of 1 in 293 years in the eastern part of the United States with the other regions falling between these two extremes.

The chart also shows that in California for earthquakes of intensity 9 and over (Modified Mercalli scale) the frequency is 1 earthquake in 7.5 years; for intensity 8 and over, the frequency is 1 in 2.9 years;

and for intensity 7 and over, the frequency is 1 every 1.35 years.

If this information is plotted using intensity as one scale and frequency as the other, it is possible to compare the areas represented by the curves for the different regions involved. The resulting relationships using California as unity are as follows:

California	— 1.00
Western Mountain Region	— 0.620
Northeast	— 0.097
Central	— 0.082
Washington-Oregon	— 0.056
Eastern	— 0.034

If these relationships are in any way valid insofar as the indication of the relative frequency and intensity of earthquakes in various areas of the United States, then it would appear, for example, that earthquake rates in the Northeastern United States should be about 1/10 of the rates charged in California. It is recognized that the above relationships are based on giving equal weight to earthquakes of various intensities which in reality, is probably not a fair assumption. Therefore, it was decided to take the available information and compare the average damage in dollars for earthquakes of various intensities. Table II shows the results of these computations. If these figures could be accepted as valid, they would indicate that earthquakes of intensity 10 (MM) and above, would cause earthquake damage which was 26.5 times the damage caused by earthquakes of intensity 7 (MM).

It is recognized that the credibility of information available does not warrant any final conclusions. However, such study as the author has been able to make does indicate that the whole question of frequency and the relative damage caused by earthquakes of various intensities should be further investigated as a means of aiding the insurance underwriter and the insurance buyer. The seismologist can be of tremendous help in solving these problems.

Credibility of Statistics

The problem of the credibility of rate making statistics is well known to most actuaries and underwriters. Earthquake insurance statistics pose a particularly difficult problem and it has not received as much study and analysis as other types of property insurance.

In the field of fire insurance rate making certain credibility guides have been adopted and three of these will be mentioned to show the diversions of opinion and to point out some of the problems involved. The New York Insurance Department, for example, uses a credibility table as follows:

5 Year Premium	5 Year Credibility—%
\$6,000,000 and over	100%
4,860,000 — 5,999,999	90
3,840,000 — 4,859,999	80
2,940,000 — 3,839,999	70
2,160,000 — 2,939,999	60
1,500,000 — 2,159,999	50
960,000 — 1,499,999	40
540,000 — 959,999	30
240,000 — 539,999	20
60,000 — 239,999	10
0 — 59,999	5

The Texas State Board of Insurance has adopted a different credibility table for fire insurance as follows:

Premium Volume (5 years adjusted earned)	Per Cent Credibility
\$1,000,000 and over	100%
900,000 to \$999,999	95
800,000 to 899,999	90
700,000 to 799,000	85
600,000 to 699,999	80
500,000 to 599,999	75
450,000 to 499,999	70
400,000 to 449,999	65
350,000 to 399,999	60
300,000 to 349,999	55
250,000 to 299,999	50
200,000 to 249,999	45
150,000 to 199,999	40
100,000 to 149,999	35

The rules for the use of the Texas Credibility Table also provide that when a class or sub-class is not fully credible on its volume alone, then in addition and where applicable, the following may be considered:

- A longer than 5-year record
- Trends as disclosed in the record
- The loss potential, i.e., whether the units of experience are such that one loss may disrupt the whole record. This involves study of the nature of risks presented and units of volume insured.

The Factory Mutual Companies have given considerable study to this same problem, and for the specialized highly protected risk, which constitutes a major portion of their business, they have adopted a credibility table based on average amount of insurance in force. Using a ten year period, 100% credibility is reached when the average amount of insurance in force for any particular class reaches 500 million dollars. Converted to an equivalent earned premium volume, this would represent 100% credibility at approximately 2½ million dollars earned premium for a ten year period or \$1,250,000 earned premium for a 5 year period.

It is thus obvious that even in the fire insurance field no fixed universal standards have been agreed upon regarding the minimum amount of premium needed for 100% credibility of statistics.

It is significant, however, that the 5 year earthquake premium writings in California are in excess of 26 million dollars, and all of the above credibility tables

TABLE I
Frequency of U.S. Earthquakes 1638-1956

Region	Number of Years of Available Records	Intensity-Modified Mercalli Scale							
		10 and over		9 and over		8 and over		7 and over	
		Total No.	Frequency	Total No.	Frequency	Total No.	Frequency	Total No.	Frequency
Northeast	318	2	159	2	159	12	26.4	25	12.7
Eastern	293	1	293	1	293	2	146.5	11	26.6
Central	257	1	257	1	257	5	51.4	24	10.7
Western Mountain	104	1	104	1	104	15	6.95	33	3.15
Wash.-Ore.	115	0	0	0	0	1	115.0	8	14.4
California	187	14	13.3	25	7.5	64	2.9	138	1.35

Notes: (1) Information from Earthquake History of the United States—Parts I and II and United States Earthquakes 1951-1956 published by U.S. Coast and Geodetic Survey.

(2) Frequency expressed as one earthquake for number of years shown.

(3) Regions as defined in Earthquake History of the United States—Parts I and II.

"P. G. B.
April 1960"

would indicate that full credibility would be reached when 5 year premium volumes reach 6 million and over.

Because of the relative infrequency of severe earthquakes, it would be unfair to compare the credibility problem of earthquake statistics to fire insurance statistics. However, the marked increase in extended coverage insurance premium writings in recent years have given the insurance companies statistical experience in a field which has many of the same problems as earthquake insurance. Whereas fire insurance premium writings have tripled in the period 1940-1957, extended coverage writings have increased 12½ times, giving the companies a much broader base for statistical analysis.

The fact that extended coverage losses in excess of 200 million dollars have been paid in connection with one catastrophic storm as compared to an estimated 90 million dollar loss for the 1906 San Francisco earthquake in terms of 1950 dollars, should provide an impetus for a reappraisal of the earthquake rating problem.

Attitude of Corporate Insurance Buyers

If the reader will refer to the chart showing a comparison of fire and earthquake written premiums in the United States for the period 1916 to 1957, it will be recognized that certain trends exist. It is to be noted that fire insurance written premiums in the United States generally follow the economy and that in the period 1916-1929 a peak was reached followed by a sharp decline as a result of the 1929 stock market crash and the following depression years. Fire Insurance premiums leveled off in the early thirties and then started a gradual climb in the early forties, followed by a sharp increase as a result of the war years, reaching an all time peak in 1951.

During this period there has been a gradual downward trend in average fire insurance rates in the United States, and this is one reason for the apparent downward trend of premium writings for the period 1951 to date. In actuality, the amount of insurance at risk or the value of property insured has undoubtedly increased during this period, although premium writings have been reduced because of decreases in rates. Some of these rate decreases are the result of experi-

TABLE II
Total Earthquake Damage for Earthquakes
of Various Intensities

Intensity MM Scale	Number of Earthquakes	Estimated Total Total Damage 1950 Dollars	Average Damage For one Earthquake
11	2	\$150,000,000	\$75,000,000
10-11	3	9,950,000	3,316,666
10	1	23,000,000	23,000,000
9	4	9,200,000	2,300,000
8-9	3	49,250,000	16,416,666
8	4	31,200,000	7,800,000
7	5	5,770,000	1,154,000
Summary:			
10 and above	6	182,950,000	30,491,666
8-9 and 9	7	58,450,000	8,350,000
8	4	31,200,000	7,800,000
7	5	5,770,000	1,154,000

Notes: (1) Information from "Earthquake Investigation in the United States" Special Publication No. 282 Revised (1958) Edition

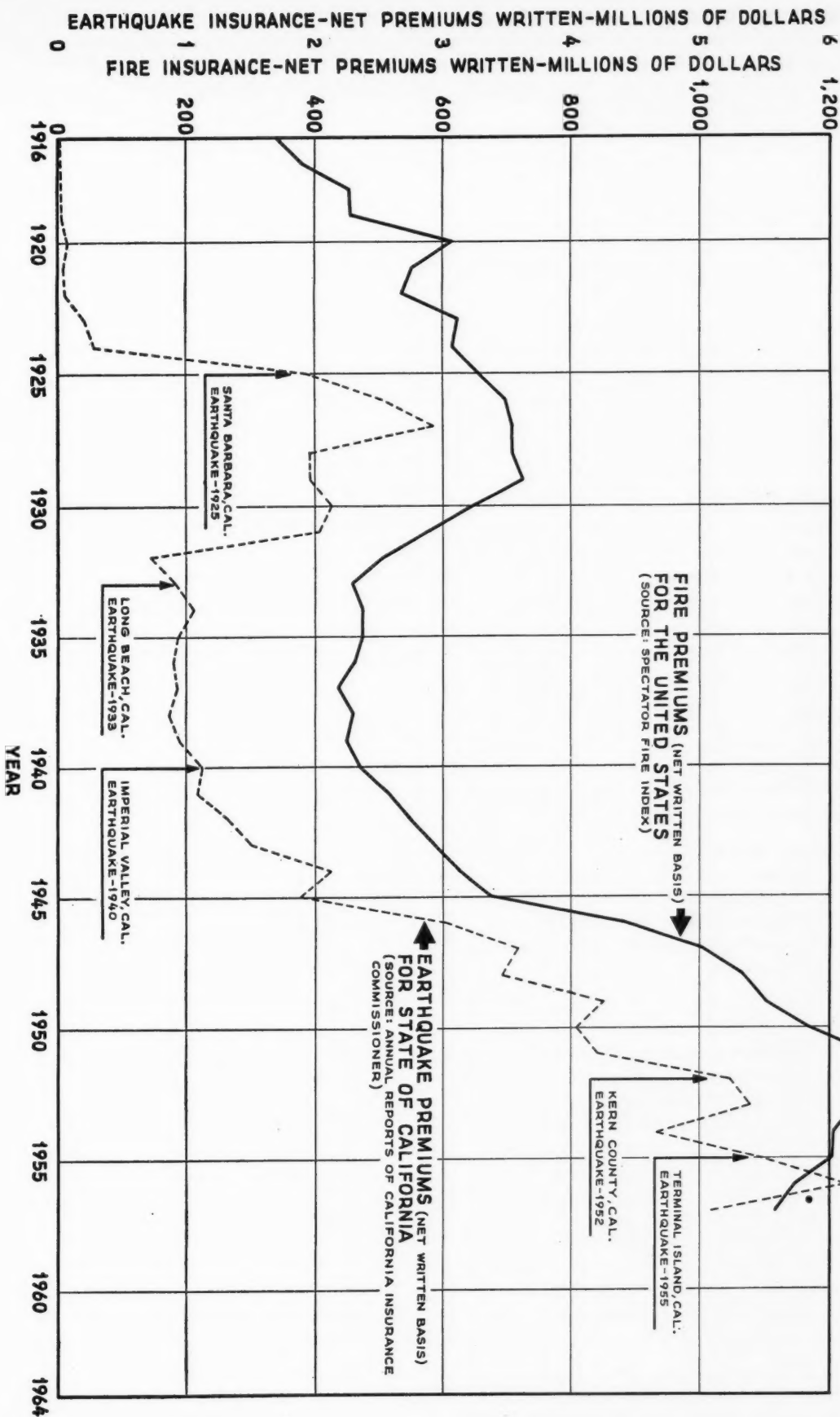
(2) Damage based on 1950 evaluation of the dollar

(3) Intensities from Earthquake History of the United States—Parts I and II and United States Earthquake Series.

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COMPARISON OF FIRE AND EARTHQUAKE WRITTEN PREMIUMS 1916-1957

P. G. BUFFINTON APRIL 1960



mentation in the multiple peril field by both fire and casualty companies.

We also have a record of earthquake insurance written in the State of California for the same period of time. The figures for earthquake insurance written on a Nationwide basis are available for a shorter period of time, but unfortunately there are gaps in the published figures for the 1940's. However, California still represents more than 90% of earthquake written premiums in the United States and provides a good comparison of trends.

It is to be noted that the earthquake writings in California in 1916 were non-existent and the writings in the period up to 1924 were practically negligible. As a result of the Santa Barbara, California, earthquake in 1925, the premiums jumped to a substantial figure. This was followed by another downward trend which was reversed slightly as a result of the Long Beach earthquake of 1933 and the Imperial Valley earthquake of 1940.

It is interesting to note that the general shape of the California earthquake written premium curve follows closely the shape of the fire insurance premium curve for the United States indicating that the general economy still has an affect upon the writing of this type of insurance. The curve also shows without question that serious earthquakes have an affect upon the insurance buyers attitude with respect to earthquake insurance, and that generally speaking, earthquake premium writings increased significantly after every serious earthquake. These increases have been less prominent in later years but still exist.

The general picture insofar as earthquake premiums are concerned is one which indicates that corporate insurance buyers are not convinced of the need for earthquake insurance and are prodded into buying coverage only as a result of serious earthquakes or the requirements of mortgagees.

This same attitude can be further emphasized by studying the relationship of fire insurance premiums and earthquake premiums in California. The total fire insurance premiums written in California in 1956 amounted to approximately 115 million dollars and if we estimate an average rate of 35¢-40¢ per \$100 of insurance this indicates that the value of property insured is approximately 40 billion dollars. The 1956 earthquake written premiums in California were slightly in excess of 6 million dollars, and estimating an average earthquake rate of \$1.00 at 50% insurance to value, would indicate the value of property insurance against earthquake is 1.2 billion dollars or less. result of building age, and are often caused by a slight settlement of the building itself.

The conclusion, then is that less than 5% of the propured against the peril of earthquake. On a nationwide

erty in California insured against by fire is also in-basis the figure would be much less.

The Companies thus find themselves in a quandary. The present level of earthquake premium writings is not broad enough to justify significant rate decreases. On the other hand, if earthquake rates were reduced and earthquake insurance was written on a broad scale, the companies would be better off and the public better protected. Unfortunately, there is no guarantee that a reduction in earthquake rates would result in large scale buying of earthquake insurance.

Another peril which offers many of the same problems is that of flood. The Factory Mutual Fire Insurance Companies, as a result of serious floods in certain areas throughout the United States, have on several occasions made detailed surveys of the requirements of their insureds with respect to flood insurance. The response to these inquiries indicated in practically every case that the demand for flood insurance was almost non-existent. Those who did wish to purchase such coverage, if it was made available, had the greatest exposure to loss and even these prospective buyers would be willing to pay very little for the coverage afforded.

Earthquake Insurance—A Catastrophe Coverage

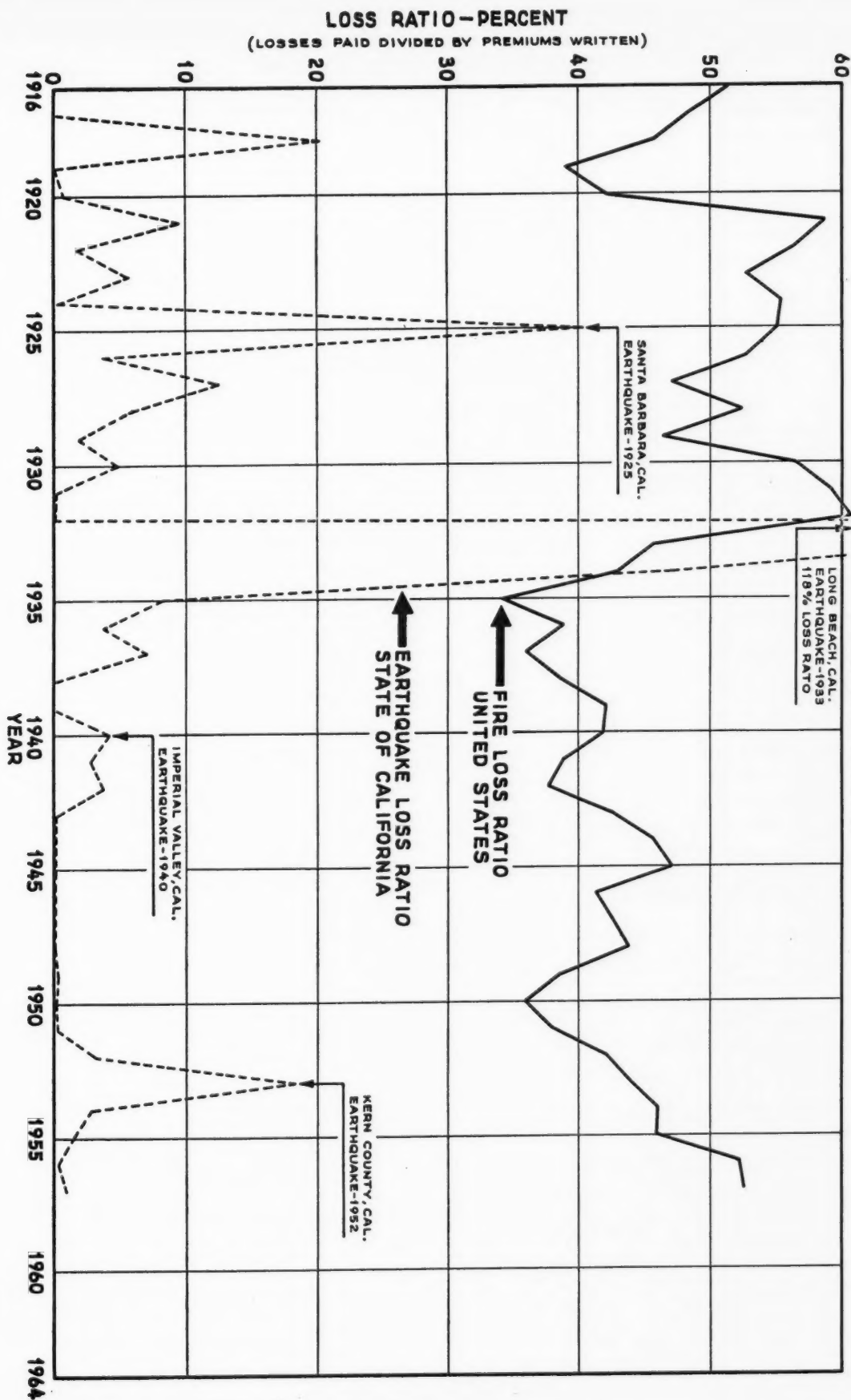
The attitude of the insurance buyer as discussed in the preceding paragraphs bears out the well established conclusion that earthquake insurance is a catastrophe type of coverage. As a catastrophe coverage, it is generally recognized that deductibles which require the buyer to assume a certain part of the loss are a necessity if insurance rates are to be within reach of the average buyer.

A mandatory deductible on buildings is needed to eliminate arguments over the cause of minor cracking of plaster and other maintenance deficiencies which are not generally caused by earthquakes but are the

The stock company schedules used for earthquake insurance on the Pacific Coast of the United States require a minimum deductible of 5% with higher deductibles for the poorer types of construction. It is significant to note that the Factory Mutual Companies permit lower deductibles under their rating schedule with a minimum of 1% on the best type of building. The Factory Mutual Companies are also willing to insure contents against the hazards of earthquake damage on a no-deductible basis if the buyer so desires.

COMPARISON OF FIRE AND EARTHQUAKE LOSS RATIOS 1916-1957

P. G. BUFFINTON APRIL 1960



Trend in Earthquake Rates in the United States

In 1916-1917 the Board of Fire Underwriters of the Pacific adopted an earthquake rating schedule for a straight earthquake policy (that is, a policy covering the peril of earthquake only as opposed to the more generally accepted method today of endorsing a fire policy to include the peril of earthquake). This schedule contained three building classifications with annual rates as follows:

Class A and B steel frame buildings	— 25¢
Class B buildings (frame construction)	— 35¢
All other	— 40¢

These rates were based on a 70% co-insurance clause subject to a 1% deductible with a minimum deductible of \$100 and a maximum deductible of \$1,000.

In 1921 the schedule was expanded to four classes as follows:

Class A buildings	— 20¢
Class B buildings	— 30¢
Class C buildings	— 40¢
All other	— 50¢

These rates were for 50% co-insurance with credits for higher amounts as follows:

60% Co-Insurance	— 10% credit
70% Co-Insurance	— 20% credit
80% Co-Insurance	— 25% credit
90% Co-Insurance	— 30% credit

In 1923, the co-insurance credits were increased to provide a 40% credit for 90% co-insurance with corresponding increases for other amounts, and in 1925, 6 classes of construction were adopted with rate ranges in the San Francisco area of from 14¢ to 125¢.

In 1928 a minimum mandatory deductible of 10% was adopted and rates were provided for 8 construction classifications as follows:

Class	I	II	III	IV	V	VI	VII	VIII
Rate	20c	30c	40c	50c	50c	70c	1.50	3.50
% Deductible	10	10	10	10	10	10	15	15

In August 1928 the deductibles for Classes I, II and III were reduced to 5%.

In January 1932, the Board of Fire Underwriters of the Pacific adopted rates for an earthquake assumption endorsement which provided earthquake coverage by endorsement to a fire policy. The schedule of rates for Zone 1, which includes San Francisco and Los Angeles were as follows:

Class	I	II	III	IV	V	VI	VII	VIII
Rate	15c	25c	30c	35c	35c	40c	75c	2.50
% Deductible	5	5	5	5	5	5	10	15

It is interesting to note that this same schedule is still in effect today although the term factor for a three year policy was increased from 2 to 2½ in 1947, affording a 25% increase in rate for most policies as of that date.

The trend in stock company earthquake rates can best be described as erratic when referring to the above schedules. In 1916 it was possible to buy earthquake insurance on a steel frame building at an annual rate of 25¢ subject to 70% co-insurance and a 1% deductible. Today the annual rate in Zone 1 for this type of building is still 25¢ subject to 70% co-insurance, but the minimum deductible is now 5%. A change in the term factor has also increased the cost of earthquake insurance during this period.

The Factory Mutual Fire Insurance Companies, who are the insurers of large industrial risks throughout the United States including California, have adopted their own earthquake rating schedule. These schedules were originally adopted based on the work done by the late John R. Freeman who was for many years President of the Manufacturers Mutual Fire Insurance Company of Providence, Rhode Island, one of the Factory Mutual group. Mr. Alton C. Chick, formerly one of Mr. Freeman's principal assistants, and today Vice President and Engineer of the Manufacturers Mutual, is chiefly responsible for much of the work done in preparing and maintaining these schedules.

Space does not permit a detailed comparison of the two schedules, but it is significant to note that reductions in the cost of earthquake insurance have been made by the Factory Mutual Companies in recent years.

In addition to making decreases in the cost of earthquake insurance, the Factory Mutuals now provide earthquake sprinkler leakage coverage in California without additional cost to most policyholders. Formerly a specific charge was made for this coverage.

SUMMARY AND CONCLUSIONS

1. Of the several specific earthquake rating factors, two are in need of further investigation and study.
 - A. The area factor or the exposure to loss as a result of a single earthquake is of great importance to the underwriter. A comparison of the relative damage of earthquakes must take into account

the type of construction and the type of ground upon which the building is constructed. The underwriter would be aided by more detailed information on individual earthquakes including specific information on the type of construction damaged, the type of ground upon which the building has been built, the total dollar damage, the estimate of property values in the high damage areas, thus providing a means of determining earthquake loss ratios, and the dollar damage and value of the more important buildings which have been damaged in the earthquake.

B. With respect to the frequency of loss occurrence we need further evaluation of the relation of intensity and frequency and better analysis of damage caused by earthquakes of various intensities. The relationship of earthquake rates for various regions of the United States should be re-examined in light of such information. In this connection an up-to-date revision of "Earthquake History of the United States - Part II - Stronger Earthquakes in California and Western Nevada" based on the Modified Mercalli Scale (similar to the recent provision of Part I of this publication) would be most helpful.

2. The attitude of the corporate insurance buyer with respect to earthquake insurance should be re-analyzed. If buyer interest indicates earthquake insurance could be sold on a much wider scale at lower rates, earthquake insurance statistics indicate rate reductions would be justified. The fact that less than 5% of the value of property insured in California against fire is also insured against the peril of earthquake may be related to the fact that earthquake rates have generally been static in that State since 1932.

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Corporations are usually sure their insurance is in order but they should have it checked. The same logic applies to both.

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Curtiss Candy Co.
Helene Curtis Industries, Inc.
R. R. Donnelley & Sons Co.
The Reuben H. Donnelley Corp.
Encyclopedia Britannica, Inc.
Fairbanks, Morse & Company
Fansteel Metallurgical Corporation
Lloyd A. Fry Roofing Company
General American Transportation
Company

General Dynamics Corporation
(Liquid Carbonic Division)
General Finance Corporation
Goldblatt Bros., Inc.
Graver Tank & Manufacturing Co., Inc.
Edward Hines Lumber Company
Hammond Organ Company
Harper-Wyman Company
Illinois Central Railroad
Illinois Tool Works
Imperial Brass Mfg. Co.
Inland Steel Company
International Harvester Co.
International Minerals & Chemical Corp.
Jewel Tea Co., Inc.
Joslyn Manufacturing & Supply
Corporation

Kawneer Company
Kester Solder Company
Kroehler Manufacturing Co.
LaSalle Steel Co.
Libby, McNeill & Libby
Link-Belt Company
Magnaflux Corporation
Marshall Field & Company

Masonite Corporation
The Meyercord Co.
Miles Laboratories, Inc.
W. H. Miner, Inc.
Montgomery Ward & Company
John Morrell & Company
Motorola, Inc.
National Standard Company
National Tea Co.
Natural Gas Pipeline of America
Northern Trust Company
Northwestern University
Pabst Brewing Company
Packaging Corporation of America
Pepsi-Cola General Bottlers, Inc.
The Peoples Gas Light & Coke Co.
Phoenix Metal Cap Co.
Pullman, Inc.
Pure Oil Company
Quaker Oats Company
Rand McNally & Company
Rathborne, Hair & Ridgway Box Co.
John Sexton & Company
Simoniz Company
Skil Corporation
Spiegel, Inc.
Standard Oil Co. (Indiana)
G. D. Searle & Co.
Charles A. Stevens & Company
Stewart-Warner Corporation
Studebaker-Packard Corporation
The Tribune Company
United Air Lines, Inc.
United States Gypsum Company
Victor Adding Machine Co.
Walgreen Drug Stores
The Willett Company
Wisconsin Public Service Corporation
Yeomans Brothers Co.

CINCINNATI

Acme-Newport Steel Company
American Laundry Machinery Co.
Armco Steel Corporation
G. A. Avril Company
The Baldwin Piano Company
Bardes Corporation
Burger Brewing Company
Burkhardt's
R. K. LeBlond Machine Tool Company
The Chatfield Paper Corporation
The Cincinnati Enquirer
Cincinnati Gas & Electric Co.
Cincinnati & Suburban Bell Telephone
Co.
The Dawson-Evans Construction Co.
The Drackett Company
The Duriron Company, Inc.
The Eagle-Picher Company
Emery Industries, Inc.
Federated Department Stores, Inc.
The Fifth Third Union Trust Company
The Foy Paint Company
The Globe Wernicke Company
Robert Gould Company
The Hamilton Foundry, Inc.
The Andrew Jergens Company
The E. Kahn's Sons Company
The Kroger Company
The Lunkenheimer Company
The Mead Corporation
The H. H. Meyer Packing Company
The Mosler Safe Company
The Nivison Weiskopf Company
The Ohio National Life Insurance Com-
pany
The Ohio River Company
The Procter & Gamble Company

The Provident Savings Bank & Trust Co.
The Sorg Paper Co.
Trailmobile Inc.
United States Shoe Corporation
The Western & Southern Life Insurance Co. (General Insurance Committee)
The George Wiedemann Brewing Co.

CLEVELAND

Addressograph-Multigraph Corporation
E. W. Bliss Company
Campus Sweater & Sportswear Co.
Carling Brewing Company
Central National Bank of Cleveland
The Cleveland Crane & Engineering Co.
Cleveland Electric Illuminating Company

Firestone Tire & Rubber Company
The General Tire & Rubber Company
B. F. Goodrich Company
The Goodyear Tire & Rubber Company
The Halle Brothers Company
Harris-Intertype Corp.
The Hoover Company
Hupp Corporation
Industrial Rayon Corporation
The North American Coal Corp.
Oblebay Norton Company
The Parker Hannifin Corporation
Reliance Electric & Engineering Co.
Rubbermaid Incorporated
The Timken Roller Bearing Co.
Towmotor Corporation

CONNECTICUT VALLEY

City of Hartford
Connecticut Light & Power Co.
Eastern States Farmers' Exchange, Inc.
Eureka Williams Corp.
Hartford Electric Light Co.
Hartford Gas Co.
The Kaman Aircraft Corporation
Moore Drop Forging Co.
The New Britain Machine Co.
Scovill Manufacturing Company
United Aircraft Corp.
Veeder-Root Incorporated
Whitney Chain Company

DALLAS-FT. WORTH

Ambassador Oil Corporation
American Petrofina, Inc.
Austin Bridge Company
The British-American Oil Producing Company
Cabot Carbon Co.
Campbell Taggart Associated Bakeries, Inc.
Carrier-Bock Company
Chance Vought Aircraft, Inc.
Champlin Oil & Refining Co.
Coca-Cola Bottling Company
Comet Rice Mills
Dallas Power & Light Co.
Delhi Taylor Oil Corp.
Delta Drilling Company
Dresser Industries, Inc.
Frankfort Oil Company
The Frito Company
General American Oil Co. of Texas
Gifford-Hill & Co., Inc.
Intercontinental Mfg. Company, Inc.
Jake L. Hamon
Lone Star Gas Company
Lone Star Steel Company
Mobil Oil Co.
Morton Foods, Inc.
The Murray Company of Texas, Inc.
Neiman-Marcus Company
Olmsted-Kirk Company
Otis Engineering Corp.
Dr. Pepper Company
Republic National Bank of Dallas
Rowan Drilling Company, Inc.
The Schoellkopf Company
Southern Union Gas Company
Sun Oil Company

Temco Aircraft Corporation
Texas Delivery Service
Texas Instruments, Inc.
The Times Herald Printing Company
Tom Thumb Stores, Inc.
The T X L Oil Corporation

DELAWARE VALLEY

Alan Wood Steel Company
American Viscose Corp.
Atlantic City Electric Company
Atlas Powder Company
The Atlantic Refining Company
Bestwall Gypsum Company
The Budd Company
Campbell Soup Company
Catalytic Construction Company
Certain-teed Products Corporation
Delaware Power & Light Company
E. I. duPont de Nemours & Co., Inc.
The Electric Storage Battery Company
Fidelity Mutual Life Insurance Co.
Fidelity-Philadelphia Trust Company
Food Fair Stores, Inc.
General Coal Company
General Public Warehouse Company, Inc.

Henry Bower Chemical Mfg. Co.
Hercules Powder Company
I-T-E Circuit Breaker Company
Kaiser Metal Products
Keasbey & Mattison Company
Lavino Shipping Company
Lee Rubber and Tire Corporation
Levitt & Sons
Martin Century Farms, Inc.
Mutual Rendering Company, Inc.
Paterson Parchment Paper Co.
Penn Fruit Company
Penn Mutual Life Insurance Co.
Philadelphia Electric Company
Philadelphia Gas Works
The Philadelphia Saving Fund Society
Publicker Industries
Radio Condenser Company
Radio Corporation of America
Sandura Company
S.K.F. Industries, Inc.
Smith, Kline & French Laboratories
South Chester Tube Company
United Engineers & Constructors, Inc.
The United Gas Improvement Company

DETROIT

Acheson Industries, Inc.
Allen Industries, Inc.
American Blower Corporation
American Motors Corporation
Bull Dog Electric Products Company
Burroughs Corporation
Chrysler Corporation
D. W. G. Cigar Corp.
Darin & Armstrong, Inc.
Davidson Brothers
The Detroit Edison Company
Detroit Gasket & Manufacturing Company
Detroit Harvester Company
Detroit Steel Corporation
Evans Products Company
Ex-Cell-O Corporation
Fenestra, Inc.
Ford Motor Company
Fruehauf Trailer Company
Gar Wood Industries, Inc.
General Motors Corporation
Goddard & Goddard Company
The J. L. Hudson Company
Hygrade Food Products Corporation
The Jam Handy Organization, Inc.
Kelsey-Hayes Wheel Company
King-Seeley Corporation
S. S. Kresge Company
Libbey-Owens-Ford Glass Co.
Lyon Incorporated
R. C. Mahon Company
McCord Corporation

McLouth Steel Corporation
Michigan Bell Telephone Co.
Michigan Consolidated Gas Company
Michigan Wisconsin Pipe Line Co.
Micromatic Hone Corporation
Mueller Brass Company
The Murray Corporation of America
National Bank of Detroit
National Twist Drill & Tool Co.
Owens-Illinois Glass Co.
Parke Davis & Company
Pfeiffer Brewing Company
R. L. Polk & Company
Square D Company
The Udylite Corporation
The Upjohn Company
The Valeron Corporation
Verners Ginger Ale, Inc.
Woodall Industries, Inc.
Wyandotte Chemicals Corporation

HOUSTON

Ada Oil Company
American Warehouses, Inc.
Anderson Clayton & Company
Bank of the Southwest National Association
Baroid Division, National Lead Company
Brown and Root, Inc.
Brown Oil Tools, Inc.
H. E. Butt Grocery Co.
F. A. Callery, Inc.
Cameron Iron Works, Inc.
Collins Construction Co.
The Dow Chemical Co.
Duncan Coffee Co.
El Paso Natural Gas Company
Farnsworth & Chambers Co., Inc.
Fish Services Corporation
Halliburton Oil Well Cementing Co.
Houston Oil Field Material Co., Inc.
Hughes Tool Co.
Humble Oil & Refining Company
Jefferson Lake Sulphur Company
J. Ray McDermitt & Company
Pan Geo Atlas Corporation
Petro-Tex Chemical Corporation
Quintana Petroleum Corporation
Reed Roller Bit Co.
River Brand Rice Mills, Inc.
River Oaks Corporation
San Jacinto Petroleum Corp.
Schlumberger Well Surveying Corp.
Sheffield Steel Division of Armco Steel Corporation
A. O. Smith Corporation of Texas
Tennessee Gas Transmission Co.
Texas Manufacturers Association
Transcontinental Gas Pipe Line Corp.
Trunkline Gas Company
Tuboscope Company
Uncle Ben's, Inc.
United Carbon Company
Union Carbide Chemical Company
Union Oil & Gas Corporation of Louisiana
J. Weingarten, Inc.
Win Hawkins Drilling Company

MARYLAND

Army & Air Force Exchange Service
The Arundel Corporation
Baltimore Contractors, Inc.
Cafritz Construction Co.
Harry T. Campbell Sons Corp.
Catalyst Research Corporation
City Baking Company
W. T. Cowan, Inc.
Crown Central Petroleum Corp.
The Davison Chemical Corporation
Ellicott Machinery Corporation
L. Greif & Bro., Inc.
Gunther Brewing Co., Inc.
The Hecht Company
Hutzler Brothers Co.
Insurance Buyers' Council

Chas. H. Tompkins Co.
The Martin Company
Maryland Shipbuilding & Drydock Co.
McCormick & Co., Inc.
Mercantile Safe Deposit & Trust Co.
Merchants Terminal Corp.
Montgomery County, Maryland
The National Brewing Co.
Office of Naval Material
Department of the Navy
Schmidt Baking Co., Inc.
Woodward & Lothrop Incorporated

MINNESOTA

Andersen Corporation
The B. F. Nelson Mfg. Co.
Cargill, Incorporated
College of St. Thomas
Coca-Cola Bottling Co. of Minnesota
The Creamette Co.
Curtis 1000, Inc.
Coast to Coast Stores—
Central Organization, Inc.
The Economics Laboratories, Inc.
Flour City Brush Company
Federal Cartridge Corporation
First National Bank of Minneapolis
Fitzer Brewing Company
Fullerton Lumber Company
Gamble-Skogmo, Inc.
M. A. Gedney Company
General Mills, Inc.
Green Giant Company
Theo. Hamm Brewing Company
Geo. A. Hormel & Co.
Industrial Aggregate Co.
International Milling Company
Investors Diversified Services, Inc.
Josten Manufacturing Company
Landers-Norblom-Christenson Co.
Maney Bros. Mill & Elevator Co.
Maple Island, Inc.
Mayo Clinic
Minneapolis Brewing Company
Minneapolis-Honeywell Regulator Co.
Minneapolis Star & Tribune Company
Minnesota Mining & Manufacturing Co.
Minnesota & Ontario Paper Co.
Munsingwear, Inc.
Nash-Finch Company
Northern Ordnance Inc.
Northrup-King & Company
Northwest Airlines, Inc.
W. S. Nott Company
Owatonna Canning Company
Owatonna Tool Co.
M. F. Patterson Dental Supply Co. of
Minnesota
F. H. Peavey & Company
The Pillsbury Company
Red Owl Stores, Inc.
Rochester Dairy Cooperative
St. Paul Terminal Warehouse Co.
J. L. Shiely Company
Super Valu Stores, Inc.
Toro Manufacturing Company
Waldorf Paper Products Company
Western Oil and Fuel Company
Wood Conversion Company

MONTREAL

Aluminum Company of Canada, Ltd.
Atlas Asbestos Company Limited
Belding Corticelli Limited
The Bell Telephone Co. of Canada
Henry Birks & Sons Ltd.
The Bristol Aeroplane Co. of Canada
Limited
Canada Cement Company Limited
Canada Iron Foundries, Limited
Canadair Limited
Canadian Celanese Ltd.
Canadian General Transit Co. Ltd.
Canadian Industries Limited
Canadian International Paper Company
Canadian Liquid Air Co., Ltd.

Canadian Marconi Company
Canadian Pratt & Whitney Aircraft
Company, Ltd.
Canadian Salt Co., Ltd.
Canadian Schenley Ltd.
Consolidated Paper Corporation Limited
Distillers' Corporation—
Seagrams Limited
Dominion Bridge Company Limited
Dominion Engineering Works Limited
Dominion Glass Company Limited
Dominion Steel and Coal Corp. Ltd.
Dominion Textile Company Limited
Du Pont Co. of Canada Ltd.
The Foundation Co. of Canada Limited
Imperial Tobacco Co. of Canada Limited
Molsons Brewery Limited
Northern Electric Company, Limited
Price Brothers & Company, Ltd.
Quebec Power Company
Rolls-Royce of Canada, Limited
Seven-Up Montreal Ltd.
Shawinigan Chemicals Limited
The Shawinigan Water and Power
Company
Howard Smith Paper Mills Limited
Southern Canada Power Co. Ltd.
Standard Chemical Limited
Steinberg's Limited
Thor Mills Limited

NEW YORK

ACF Industries, Inc.
The Aeroflex Corporation
Alexander's Department Stores, Inc.
Allied Chemical Corporation
Allied Maintenance Corporation
Allied Stores Corporation
Amerace Corporation
American Airlines
American Broadcasting-Paramount
Theatres, Inc.
American Bank Note Co.
American Can Company
American Chicle Company
American District Telegraph Co., Inc.
American Home Products Corp.
American Machine & Foundry Co.
American Management Association
American Metal Climax, Inc.
American News Co., Inc.
The American Oil Company
American Radiator & Standard Sanitary
Corp.
The American Thread Company
Anaconda Company
Anaconda Wire & Cable Company
Associated Dry Goods Corp.
Avco Corporation
Avon Products, Inc.
The Babcock & Wilcox Company
Belk Stores, Inc.
Bell Telephone Laboratories
Berkshire-Hathaway, Inc.
Bigelow-Sanford Co., Inc.
Blades & Macaulay
The Borden Company
Bristol Myers Company
Burlington Industries, Inc.
The California Oil Company
Canada Dry Corporation
John J. Casale, Inc.
Celanese Corporation of America
The Chase Manhattan Bank
The Chemstrand Corporation
Chilean Nitrate Sales Corporation
Ciba States Limited
Cities Service Petroleum, Inc.
City Stores Mercantile Company, Inc.
Coats & Clark's Sales Corporation
The Coca-Cola Export Corporation
Colgate-Palmolive Company
Columbian Carbon Company
Combustion Engineering, Inc.
Commercial Solvents Corporation
Commonwealth Services, Inc.

Congoleum-Nairn, Inc.
Consolidated Cigar Corp.
Consolidated Natural Gas Co.
Continental Can Company, Inc.
Continental Grain Company
Corn Products Company
Corporate Advisors, Inc.
Curtiss-Wright Corporation
Daystrom, Inc.
Diesel Vessel Operators, Inc.
Dugan Brothers, Inc.
Dow, Jones & Co., Inc.
Ebasco Services Incorporated
El Paso Natural Gas Company
Electrolux Corporation
Emerson Radio & Phonograph Corp.
Esso Standard, Division of
Humble Oil & Refining Company
Esso Research and Engineering Company
Ethyl Corporation
Federal Paper Board Co., Inc.
The First National City Bank of
New York
The Firth Carpet Company
The Flintkote Company, Inc.
The F. & M. Schaefer Brewing Company
Food Machinery & Chemical Corp.
(Chemical Division)
Foster-Wheeler Corp.
Geigy Chemical Corporation
General Aniline & Film Corporation
General Baking Company
General Dynamics Corporation
General Electric Company
General Foods Corp.
General Telephone & Electronics Corp.
Gibbs & Hill, Inc.
W. R. Grace & Company
Great Lakes Carbon Corporation
S. Gumpert Co., Inc.
M. & M.'s Candies, A Division of
Food Manufacturers, Inc.
Hess, Inc.
Hewitt-Robins, Inc.
Imperial Color Chemical Co.
(A Division of Hercules Powder Co.)
International Business Machines Corp.
Interchemical Corp.
Johns-Manville Corp.
Johnson & Johnson
A. & M. Karagheusian, Inc.
Kennecott Copper Corporation
Kentile, Inc.
Keuffel & Esser Company
Knickerbocker Construction Co.
Lerner Stores Corp.
Lever Brothers Co.
Liggett & Myers Tobacco Co.
Lily-Tulip Cup Corp.
Thomas J. Lipton, Inc.
The Lummus Company
R. H. Macy & Co., Inc.
McKesson & Robbins, Incorporated
Manufacturers Trust Co.
Merritt-Chapman & Scott Corp.
Metal & Thermit Corp.
Morgan Guaranty Trust Co. of N. Y.
Philip Morris Incorporated
Muzak Corporation
National Biscuit Company
National Dairy Products Corp.
National Distillers and Chemical Corp.
National Starch & Chemical Corp.
The Nestle Company
J. J. Newberry Company
New York Herald-Tribune
New York University
Olin Mathieson Chemical Corporation
Otis Elevator Company
Pan American World Airways, Inc.
Pan American International Oil Co.
S. B. Penick & Co.
J. C. Penney Company, Inc.
Chas. Pfizer & Co., Inc.
Pitney-Bowes, Inc.
The Pittston Company

The Port of New York Authority
 Refined Syrups & Sugars, Inc.
 Reliance Manufacturing Company
 Republic Aviation Corporation
 Revlon
 Rheem Manufacturing Company
 Riegel Paper Corporation
 Joseph E. Seagram & Sons, Inc.
 The Sperry & Hutchinson Company
 Sperry Rand Corporation
 Sperry Gyroscope Co.
 Standard Oil Company (New Jersey)
 J. P. Stevens & Co., Inc.
 Sun Chemical Corporation
 Sunshine Biscuits, Inc.
 Tidewater Oil Co., Inc.
 Union Bag-Camp Paper Corporation
 Union Carbide Corporation
 United Aircraft Corp.
 United Merchants & Manufacturers, Inc.
 U. S. Industries, Inc.
 United Parcel Service, Inc.
 United States Plywood Corporation
 United Whelan Corporation
 Universal Pictures Co., Inc.
 Vick Chemical Company
 Walworth Company
 West Chemical Products, Inc.
 Western Electric Company
 West Virginia Pulp & Paper Company
 Witco Chemical Company
 Worthington Corporation
 Yale Express System, Inc.
 Ziff-Davis Publishing Company

NORTHERN CALIFORNIA

American Trust Company &
 Wells Fargo Bank
 Ampex Corporation
 Guy F. Atkinson Company
 Bank of America NT & SA
 Bank of California, N.A.
 Bechtel Corporation
 The California Ink Co., Inc.
 California & Hawaiian Sugar Refining
 Corp. Ltd.
 California Packing Corporation
 California State Chamber of Commerce
 California Self-Insurers Association
 Coast Service Company
 Consolidated Freightways, Inc.
 The Crocker-Anglo National Bank
 Crown Zellerbach Corp.
 Cutter Laboratories
 Department of Finance — State of
 California
 The Robert Dollar Company
 East Bay Municipal Utility District
 E. & J. Gallo Winery
 Fibreboard Products, Inc.
 The First Western Bank & Trust
 Company
 Foremost Dairies, Inc.
 Hills Bros. Coffee, Inc.
 Honolulu Oil Corporation
 Kaiser Aluminum & Chemical Corp.
 Kaiser Engineers
 Kern County Land Co.
 Leslie Salt Company
 Matson Navigation Company
 Mund, McLaurin & Company
 Pacific Gas & Electric Company
 The Pacific Telephone & Telegraph
 Company
 Pacific Intermountain Express Company
 Permanente Cement Company
 Port of Oakland
 Rudiger-Lang Company
 The Salvation Army
 S & W Fine Foods, Inc.
 Safeway Stores, Inc.
 Southern Pacific Company
 Spreckels Sugar Company
 Standard Oil Company of California
 Swinerton & Walberg Company

The Union Ice Company
 Union Lumber Company
 United Air Lines, Inc.
 Utah Construction & Mining Co.
 The Western Pacific Railroad Company
 Wilbur-Ellis Company

OREGON

The Bank of California, N.A.
 Blitz Weinhard Company
 Columbia River Paper Co.
 Columbia River Packers Association,
 Inc.
 Convoy Company
 The First National Bank of Portland
 Georgia-Pacific Corporation
 HYster Company
 Industrial Air Products Co.
 Jantzen, Inc.
 Fred Meyer, Inc.
 Northwest Natural Gas Company
 Terminal Ice & Cold Storage Company
 The United States National Bank
 West Coast Lumbermen's Association
 White Stag Manufacturing Co.
 Willamette Iron & Steel Company
 Zidell Machinery & Supply Co.

PITTSBURGH

Allegheny Ludlum Steel Corporation
 Aluminum Company of America
 Blaw-Knox Company
 Callery Chemical Company
 John F. Casey Company
 Consolidation Coal Company, Inc.
 Crucible Steel Company of America
 Dravo Corporation
 Duquesne Light Company
 Eastern Gas & Fuel Associates
 Edgewater Steel Company
 Eichleay Corporation
 Elliott Company
 Equitable Gas Company
 Fidelity Trust Company
 Fort Pitt Bridge Works
 Frick & Lindsay Company
 Gulf Oil Corporation
 Harbison-Walker Refractories Company
 H. J. Heinz Company
 Jones & Laughlin Steel Corp.
 Koppers Company, Inc.
 Mellon National Bank & Trust Company
 Mine Safety Appliances Company
 Mobay Chemical Co.
 G. C. Murphy Company
 The National Steel Corporation
 The National Supply Company
 The National-U.S. Radiator Corporation
 Neville Chemical Company
 Pittsburgh Coke & Chemical Company
 Pittsburgh Forgings Company
 Pittsburgh Plate Glass Company
 Pittsburgh Screw & Bolt Corporation
 Pittsburgh Steel Company
 H. H. Robertson Company
 Rockwell Manufacturing Company
 Rockwell-Standard Corporation
 The Rust Engineering Company
 Schaefer Equipment Company
 United Engineering & Foundry Company
 Watson-Standard Company
 Weirton Steel Company
 West Penn Power Company
 Westinghouse Air Brake Company
 Westinghouse Electric Corporation
 Youngstown Sheet and Tube Company

SOUTHERN CALIFORNIA

American Potash & Chemical Corp.
 Aerojet General Corporation
 Arrowhead and Puritas Water Inc.
 Baker Oil Tools, Inc.
 Barker Bros.
 Bekins Van & Storage Company
 Belridge Oil Company
 Blue Diamond Co.
 (A Division of Flintkote Co.)

C. F. Braun & Co.
 California Bank
 Carnation Company
 Citizens National Bank
 Consolidated Rock Products Co.
 Consolidated Western Steel Division of
 U. S. Steel Corporation
 The Copley Press, Inc.
 Cyprus Mines Corporation
 Desilu Productions, Inc.
 Douglas Aircraft Company, Inc.
 The Flintkote Company
 (Pioneer Division)
 The Fluor Corporation, Ltd.
 Forest Lawn Company
 The Garrett Corporation
 Garrett and Company, Inc.
 Convair — A Division of General
 Dynamics Corporation
 Gladding, McBean & Company
 Global Van Lines, Inc.
 Graham Brothers, Inc.
 Griffith Company
 The Alfred Hart Company
 Hughes Aircraft Company
 Hunt Foods & Industries, Inc.
 Kaiser Steel Corporation
 Kobe, Inc.
 Latchford Glass Company
 Lockheed Aircraft Corp.
 Marquardt Corporation
 The May Company
 The McCulloch Corporation
 Metro-Goldwyn-Mayer Pictures
 Monolith Portland Cement Company
 North American Aviation, Inc.
 Northrop Corporation
 Owl Enterprises
 Pacific Airmotive Corporation
 Ramo-Woolridge Division
 Thompson Ramo Woolridge, Inc.
 Richfield Oil Corporation
 Rohr Aircraft Corporation
 San Gabriel Valley Water Co.
 Security First National Bank
 Signal Oil & Gas Company
 Southern California Edison Company
 Southern California Gas Co.
 Space Technology Laboratories, Inc.
 Sparkletts Drinking Water Corporation
 Sun Lumber Company
 Superior Oil Company
 Tidewater Oil Company
 Title Insurance and Trust Company
 Union Bank
 Union Oil Company of California
 United States Borax & Chemical Corp.
 Von's Grocery Company
 Western Airlines, Inc.
 M. H. Whittier Company

TORONTO INSURANCE BUYERS ASSOCIATION

Abitibi Power & Paper Co. Ltd.
 Acme Paint & Varnish Limited
 Addressograph-Multigraph of Canada,
 Ltd.
 Also Products of Canada, Ltd.
 The Board of Home Missions
 (The United Church of Canada)
 Brewers' Warehousing Co., Ltd.
 The British American Oil Co., Ltd.
 Canada Bread Co., Ltd.
 Canada Life Assurance Company
 Canada Packers, Ltd.
 Canada Wire & Cable Co., Ltd.
 Canadian General Electric Co., Ltd.
 Canadian Motorways Management
 Corp. Ltd.
 Canadian Oil Companies, Limited
 Canadian Westinghouse Company, Ltd.
 Coca-Cola, Ltd.
 Combined Enterprises, Ltd.
 The Consumers' Gas Company
 Dominion Foundries & Steel, Ltd.

Dominion Stores Limited
 Duplate Canada Limited
 Electric Reduction Co. of Canada Ltd.
 The Electric Storage Battery Co.,
 Canada, Ltd.
 Falconbridge Nickel Mines Limited
 Famous Players Canadian Corp., Ltd.
 Ford Motor Company of Canada, Ltd.
 Firestone Tire & Rubber Company of
 Canada, Ltd.
 General Steel Wares Limited
 The Goodyear Tire & Rubber Company
 of Canada, Ltd.
 The Hydro-Electric Power Commission
 of Ontario
 Imperial Oil, Ltd.
 John Inglis Co., Ltd.
 International Harvester Co. of Canada,
 Ltd.
 S. S. Kresge Company, Ltd.
 Lever Brothers, Ltd.
 Massey-Ferguson, Ltd.
 Moore Corporation Limited
 National Trust Company, Ltd.
 Nestle (Canada) Ltd.
 A. S. Nicholson and Son Limited
 Noranda Mines, Ltd.
 Philips Electronics Industries, Ltd.
 Photo Engravers & Electrotypers, Ltd.
 Pitney-Bowes of Canada, Ltd.
 The Proctor & Gamble Company of
 Canada, Ltd.
 Reichhold Chemical (Canada) Limited
 A. V. Roe Canada, Ltd.
 Shell Oil Company of Canada, Ltd.
 Simoniz Company Limited
 The Robert Simpson Co. Ltd.
 Spruce Falls Power & Paper Co., Ltd.
 The Steel Company of Canada, Ltd.
 Terminal Warehouses, Ltd.
 The Toronto General Trusts Corp.
 Toronto Transit Commission
 Trane Company of Canada, Ltd.
 Trans-Canada Pipe Lines Limited
 Union Carbide Canada Limited
 Ventures Limited
 Victory Soya Mills, Ltd.

VIRGINIA-CAROLINA

American Enka Corporation
 Belk Stores, Inc.
 Burlington Industries, Inc.
 The Chesapeake Corporation of Virginia
 Duke Power Company
 Farmers Cooperative Exchanges, Inc.
 Larus & Brother Company, Inc.
 Miller & Rhoads, Inc.
 Newport News Shipbuilding & Drydock
 Co.
 Noland Company, Inc.
 Overnite Transportation Company
 RF & P Railroad Company
 Reynolds Metals Company
 Smith-Douglass Company
 Southern States Cooperative
 Union Bag-Camp Paper Company
 Virginia Department of Highways
 Virginia Electric & Power Company

WASHINGTON

Alaska Packers Association
 Boeing Airplane Company
 General Construction Company
 Halferty Canneries, Inc.
 Ketchikan Pulp Company
 New England Fish Company
 Pacific American Fisheries, Inc.
 Pacific Car and Foundry Company
 Pacific Gamble Robinson Co.
 Peoples National Bank of Washington
 Pioneer Sand & Gravel Company
 Puget Sound Bridge & Drydock
 Company
 Puget Sound Power & Light Company
 Seattle First National Bank
 Simpson Timber Company

University Properties, Inc.
 West Coast Airlines, Inc.
 Weyerhaeuser Company
 Whiz Fish Products Company
 Howard S. Wright Construction Company

WISCONSIN

Allen-Bradley Company
 American Can Company
 (Marathon Division)
 Amity Leather Products Co.
 Basic Products Corporation
 Baso, Inc.
 Briggs & Stratton Corporation
 J. I. Case Company
 Chain Belt Company
 Clark Oil & Refining Corporation
 Cutler-Hammer, Inc.
 Downing Box Company
 First Wisconsin National Bank
 Globe-Union, Inc.
 Harnischfeger Corporation
 S. C. Johnson & Son, Inc.
 Koehring Company
 Kurth Malting Company
 Ladish Co.
 Line Material Industries,
 McGraw-Edison Company
 Miller Brewing Company
 Milprint, Inc.
 Milwaukee Gas Light Co.
 Milwaukee & Suburban Transport Corp.
 Nekoosa-Edwards Paper Co.
 Outboard Marine Corporation
 Red Star Yeast & Products Co.
 Rhea Manufacturing Co.
 Ed. Schuster & Co. Inc.
 Schuster Construction Company
 A. O. Smith Corporation
 Albert Trostel & Sons Company
 Wisconsin Bridge & Iron Company
 Wisconsin Electric Power Co.

NON-CHAPTER MEMBERS

Alabama

Morrison Cafeterias Consolidated Inc.

Arizona

Hughes Aircraft Company

Arkansas

The Crossett Company

Colorado

Colorado Fuel & Iron Corp.

Connecticut

The United States Time Corporation

Florida

Mercury Motor Express, Inc.
 Ryder System, Inc.

Illinois

Barber-Greene Company
 Deere & Company
 Granite City Steel Company
 Sundstrand Machine Tool Company

Indiana

Eli Lilly and Company
 Insurance Audit & Inspection Co.

Iowa

The Rath Packing Company

Kansas

Boeing Airplane Company
 (Wichita Division)
 The Carey Salt Company
 Nationwide Trailer Rental System, Inc.

Louisiana

The California Company
 Standard Fruit and Steamship Company
 United Gas Corporation

Maine

Central Maine Power Company
 Great Northern Paper Co.
 John H. Magee

Massachusetts

Boston Housing Authority
 Godfrey L. Cabot, Inc.
 C. H. Sprague & Son Company
 Howard D. Johnson Company

Michigan

Gerber's Baby Foods

Missouri

Anheuser-Busch, Inc.
 Laclede Steel Company
 May Department Stores Company
 Monsanto Chemical Company
 Panhandle Eastern Pipe Line Co.
 The Seven-Up Company
 Union Electric Company

New Jersey

Mr. William Cole
 Federal Pacific Electric Co.
 Merck & Company Inc.

New York

Carrier Corporation
 Corning Glass Works
 Mohasco Industries, Inc.
 New York State Electric & Gas Corp.
 Will & Baumer Candle Company

Ohio

The American Crayon Company
 The Ohio Oil Company

Oklahoma

Oklahoma Gas & Electric Company
 Sunray Mid-Continent Oil Company

Pennsylvania

AMP Incorporated

Rhode Island

Gorham Manufacturing Company

Tennessee

Hardwick Stove Company
 Rich's Incorporated

Vermont

Central Vermont Public Service Corp.
 The National Life Insurance Co. (*Property & Liability Insurance Dept.*)

Washington, D.C.

National Lumber Manufacturers
 Association

West Virginia

Pennsylvania Glass Sand Corp.
 Weirton Steel Company

Wisconsin

Nordberg Manufacturing Co.
 Fred Rueping Leather Company

Canada

British Columbia Electric Co. Ltd.
 Legrade Inc.
 Western Canada Breweries Limited

France (Paris)

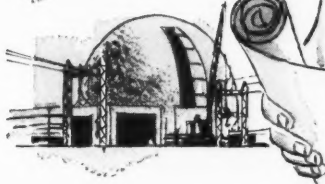
Standard Oil Company of New Jersey

Puerto Rico

Commonwealth Oil Refining Co. Inc.



Construction risks require professional insurance counsel



The time to insure construction projects is before the first shovel of earth is turned—before you give the go-ahead on your building program. This is attested by the experience of owners, builders, contractors, architects and engineers.

Professional insurance counsel is required. Informed analysis of construction risks, drafting of contract specifications regarding insurance, arrangement of proper coverages including bid and performance bonds—these important services can be as technically demanding as the securing of property title by your legal advisors or financing by your bankers.

Marsh & McLennan's qualifications in this field are evidenced by our arrangement of insurance for much of today's major construction across the country. Our services include not only the design, purchase and administration of coverages but loss adjusting, also fire and accident prevention and rate engineering that assures the lowest possible insurance costs. We invite your inquiry.

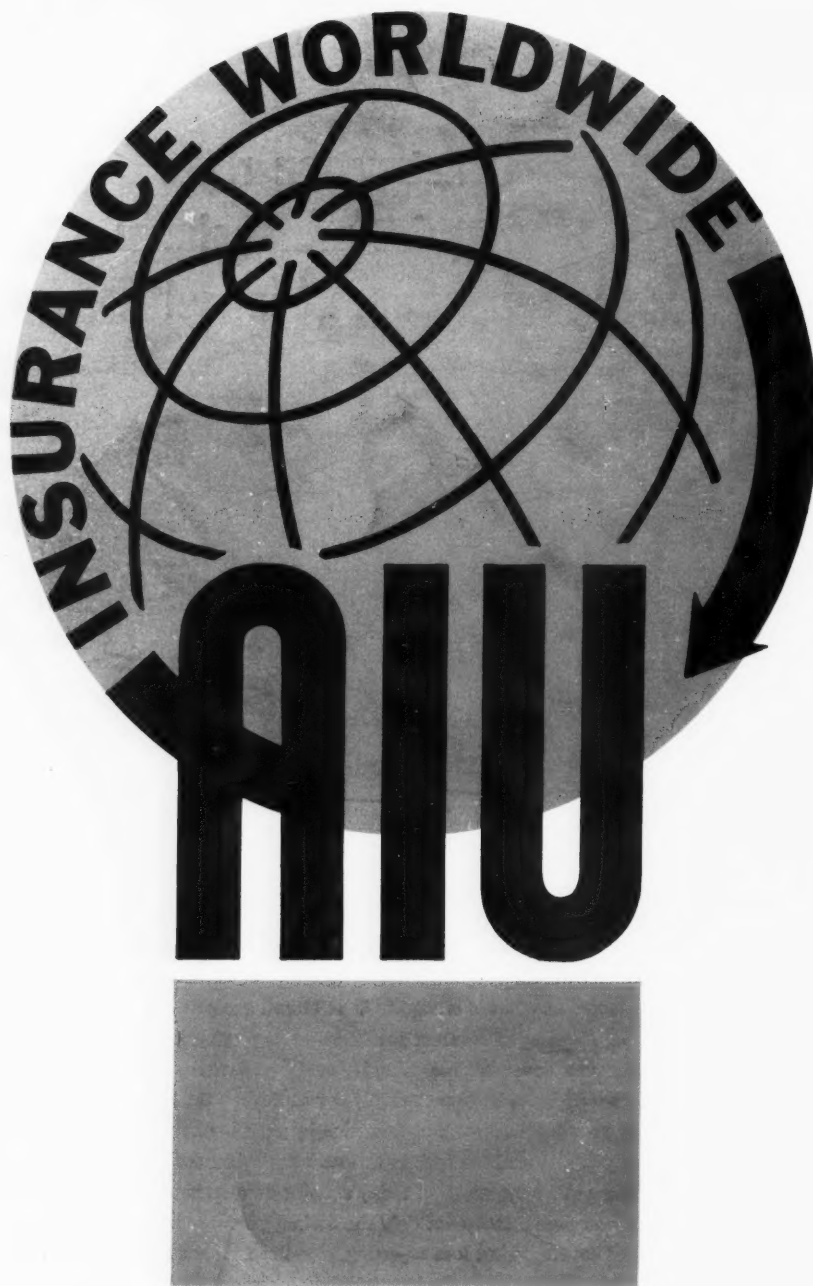
MARSH & McLENNAN

INCORPORATED

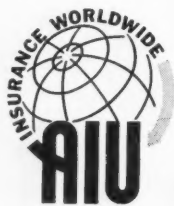
Insurance Brokers

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Pittsburgh	Seattle	St. Louis	Indianapolis	St. Paul	Portland	Buffalo
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Norfolk	Charleston	Oakland	Montreal	Toronto	Vancouver	Calgary
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